US banking

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Barcelona: giving the people Coke and circuses

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Friday July 24 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Relief for pound as calm returns to markets

Calm returned to financial markets as the pound enjoyed a temporary respite. However, a rise in Spain's key interest rate to 13 per cent from 12.4 per cent means that sterling's woes may not be over. The move leaves Britain as one of the few members of the European monetary system which has not tightened monetary policy in the wake of last week's rise in the German discount rate. Page 18

Carrington ready for talks: European Community peace mediator Lord Carrington is prepared to go ahead with talks next week with representatives of the three warring factions in Bosnia, in spite of their failure to respect the latest ceasefire. Page 2

Euro Disney expects a loss: Euro Disney, dogged by bad publicity since opening its FFr2.4bn ($470m) theme park outside Paris in April, confirmed it was on course to report a loss in the current financial year. Page 19; Lex, Page 18; Results, Page 20

Receivers called in: Matrix Churchill, UK-based machine tool builder at the centre of allegations about illegal exports to Iraq, went into receivership. Page 6

EC inflation drops: The European Community's average inflation rate fell from 4.8 per cent in May to 4.5 per cent last month, with only Greece going against the downward trend. Page 2

Loss at Digital Equipment: US computer manufacturer Digital Equipment reported a $1.85bn fourth quarter loss, including restructuring charges of $1.5bn, as it planned to axe jobs and plants. Page 19

Palestinian leader killed: Walid Khaled, spokesman for the Fatah Revolutionary Council, the most extreme Palestinian group, was shot dead in Beirut. Page 3

Brazil hits profits: Whirlpool, Michigan-based manufacturer of large domestic appliances, saw an 8 per cent decline in second-quarter profits, to $53m after tax, because of economic and political difficulties in the Brazilian market. Page 21

Profits up at RJR Nabisco: US tobacco and food group RJR Nabisco, taken private through a leveraged buy-out in 1989, posted second-quarter profits of $87m after-tax, up from $79m a year earlier because of a reduction in interest expenses. Page 21

Minimum price: Wellcome Trust, the charity which is selling around half its 73.5 per cent stake in Wellcome, the drugs group, said that it would not sell shares below 800p. Page 19; Lex, Page 18

Forecast overtaken: John Fairfax Holdings, Australian newspaper group, expects to exceed the profit forecast for 1991-92 published in its pre-flotation prospectus earlier this year, despite the Australian economy's slow recovery from recession. Page 21

'Green tax' considered: Mexico is considering a trade-related "green tax" to pay for cleaning the environment. It is to spend $400m on sites at the US- Mexican border, where hundreds of foreign companies have factories. Page 4

Trade pact sought: Trade ministers from Mexico, Canada and the US meet tomorrow in Mexico City in an attempt to resolve differences over the proposed North American Free Agreement. Page 4

Fare wars hit airline: USAir Group, US airline in which British Airways plans to invest $750m in return for a potential 44 per cent equity stake, reported increased losses in the second quarter of $84.9m because of domestic fare wars. Page 19

Salomon's best result: Wall Street securities house Salomon reported second-quarter after-tax operating earnings of $375m, the best three-month performance in the group's history and a clear sign that it has recovered from last year's bond trading scandal. Page 20

German project for Elf: French oil group Elf Aquitaine and German steel and engineering group Thyssen confirmed they had won a DM6bn ($4.5bn) contract to take over and modernise eastern Germany's main petrol station network and build an oil refinery there. Page 20

New editor for The Times: Simon Jenkins will be succeeded as editor of The Times of London by his deputy, Peter Stothard, when he stands down in October.

Cricket: Pakistan were 165 for eight at the end of the first day of the fourth Test against England at Headingley, Yorkshire.

STOCK MARKET INDICES

FT-SE 100:	2,398.5	(+11.6)
Yield	5.10	
FT-SE Eurotrack 100	1,058.53	(−1.44)
FT-A All-Share	1,148.11	(+0.4%)
Nikkei	16,039.94	(+497.99)
New York lunchtime		
Dow Jones Ind Ave	3,279.23	(+1.62)
S&P Composite	410.94	(+0.01)

US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.199%
Long Bond	105¼
Yield	7.546%

LONDON MONEY

3-mo Interbank	10⅛%	(10 3/16%)
Liffe long gilt future:	Sep 98 11/32	(Sep 98 11/32)

NORTH SEA OIL (Argus)

Brent 15-day Sep	$20.525	(20.425)

Gold

New York Comex Jul	$358.6	(358.9)
London	$356.75	(359.25)

STERLING

New York lunchtime:		
$	1.9145	
London:		
$	1.9136	(1.9035)
DM	2.8375	(2.8325)
FFr	9.5825	(9.57)
SFr	2.5175	(2.515)
Y	242.25	(241.5)
£ Index	92.0	(91.8)

DOLLAR

New York lunchtime:		
DM	1.48385	
FFr	5.0085	
SFr	1.3167	
Y	126.6	
London:		
DM	1.4835	(1.4885)
FFr	5.0075	(5.0275)
SFr	1.316	(1.3215)
Y	126.6	(126.85)
$ Index	60.5	(60.6)

Tokyo close Y 126.4

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Iraqi conflict deepens as US toughens stance

By George Graham in Washington and Our Foreign Staff

THE CONFRONTATION between Iraq and the United Nations hardened yesterday as a senior Iraqi minister vowed continuing defiance and the Democratic candidate for the US presidency spoke out in favour of possible military action against Baghdad.

Governor Bill Clinton of Arkansas warned Iraq's president Saddam Hussein that his election battle against President George Bush would not deflect the US from making Iraq comply with the terms of ceasefire it accepted to end the Gulf war last year.

"Let Saddam Hussein make no mistake: even during an election campaign, Americans are united on this issue. Saddam Hussein should understand clearly that we will not tolerate his defiance of UN resolutions," Mr Clinton said in a statement. "If the United Nations decides to use force to ensure Iraqi compliance with the ceasefire arrangements, I will support American participation in such action."

Mr Clinton's assurance will be welcomed by Mr Bush if it demonstrates to Saddam Hussein that there is bipartisan support in the US for the administration's firm stance. US officials suspect the Iraqi president's defiance rests partly on a belief that the US would not launch military action against Iraq in the middle of a divisive election campaign.

The US Defence Department confirmed yesterday that it had cancelled port visits in the Mediterranean for the aircraft carrier Saratoga and three other warships, apparently strengthening the administration's threat to use force. But Mr Pete Williams, the Pentagon spokesman, said the decision was "based on the situation in Yugoslavia". Officials in Washington would not be drawn on whether the vessels – now said to be in the central Mediterranean – had been alerted for possible action.

The White House warned on Wednesday that it could not rule out the use of force if Baghdad continued to defy a team of UN weapons inspectors seeking to identify and destroy Iraq's weapons of mass destruction.

Mr Rolf Ekeus, head of the UN special commission charged with the task, warned in a US television interview yesterday that the confrontation could swiftly reach "endgame", voicing growing fears for the safety of his 70-strong inspection team in Iraq.

The allies appear to be pursuing a carefully calibrated increase of military and political pressure with echoes of the allied build-up before the Gulf war of January 1991 – and eliciting a familiar Iraqi response.

In Baghdad yesterday, Mr Tariq Aziz, deputy prime minister, told a news conference: "Iraq will not concede its sovereignty, will not accept any insult, will not allow the inspection teams to threaten its national security and will not allow . . . any other person affiliated with the United Nations to interfere in its internal affairs. The threats and all what they are doing will not change the Iraqi position."

None of the western allies appears in a hurry to implement their multiplying threats. Top officials at the defence department in Washington are known to harbour doubts about the likely effectiveness of a limited military strike and about the wisdom of undertaking any more ambitious operation against Iraq.

Nor do Bush campaign officials appear convinced that military action against Iraq offers good chances of success. Mr Bush's military advisers are reported to have warned that they can offer no prospect of ousting Mr Saddam from power without full deployment of a larger force than that used during Operation Desert Storm last year.

Iraqis celebrate outside the agriculture ministry in Baghdad after a team of UN weapons inspectors ended their 18-day vigil in front of the building because of fears for their safety

Italy alters central plank of privatisation plan

By Robert Graham in Rome

THE ITALIAN government bowed to pressure from foreign bankers, managers of state groups and politicians yesterday by abandoning a central element of its privatisation plan.

The treasury announced it would not create, as announced two weeks ago, two super-holdings to house four important public sector entities. Grouped under the two super-holdings, the government had planned to reorganise IRI, the main state holding; ENI, the national oil concern; Enel, the electricity authority; and INI, the insurance institute, in preparation for privatisation.

Professor Guiseppe Guarino, the industry minister who had proposed the scheme, insisted last night that the radical shake-up of public sector ownership would now proceed more effectively. But the surprise turnround is a setback to the new Amato government's credibility.

"This is a political setback for the government but probably a step forward for a more efficient means of reorganising the state sector," a foreign banker said.

The four groups, which were recently turned into joint stock companies, will now remain with the treasury as nominal shareholder.

According to a senior member of the joint stock companies, there are unlikely to be board changes until after the summer. He also expected the meetings to approve their new statutes to go ahead as planned on August 6.

The government gave no formal explanation for abandoning the idea of the super-holdings. But foreign bankers are understood to have expressed their concern at the lack of detail about the structure.

They were alarmed at the uncertain legal status of the considerable foreign debt of IRI, ENI and Enel. They were also dissatisfied by the idea of the government issuing bonds to back the debts of the two super-holdings, once they had taken over the four group's assets.

This sentiment was heightened by the handling of the freeze on Efim's L8,500bn ($7.4bn) debts, of which some L2,300bn is owed to foreign banks. Only after five days of uncertainty did the treasury clarify that interest would be paid retroactively on the debts, which have been frozen for up to two years.

Objections to the super-holdings also came from within IRI, ENI and Enel, managements of which were reluctant to see an an administration placed above them. They also feared the structure would put them out of a job.

Politicians had voiced opposition to the plan because it threatened the balance of power of their board appointees.

The two super-holdings were the centrepiece of a plan to convert the four state entities into joint stock companies. Under the aegis of the treasury, these entities were to join the treasury's banking and financial interests, mainly BNL and IMI, to be pooled between two super-holdings.

Under the super-holdings, the government planned to reorganise the companies in preparation for privatisation of all or part of their operating companies. These span virtually every area of industrial and economic activity.

Italian companies face credit rating scrutiny, Page 22

Germany reaches the 'hour of truth'

By Christopher Parkes in Bonn

THE "hour of truth" has arrived for those west Germans who believe their expansive lifestyle can continue unchanged after unification, Chancellor Helmut Kohl warned yesterday.

Rebuilding the east must have absolute priority over new developments in the west, he said at a pre-holiday press conference.

"The truth of the matter is that we must use substantial contributions from our customary yearly earnings increases for the economic and social reconstruction in the east of our fatherland," he said.

The economy could no longer afford luxuries such as extravagant pay rises and earlier retirement, Mr Kohl said. Rejecting tax rises and refusing further state contributions for health and welfare, he said an answer had to be found to the question: "How will Germany master the future?"

The answer, according to an independent council of advisers to the economics ministry, is with "unpopular cuts". Echoing Mr Kohl's concerns, a report from the council yesterday said the economy was in danger of being overloaded.

Total state debt of DM1,300bn ($855bn) would rise to DM1,900bn by the end of 1995, it said. Bonn, the federal states and local authorities must reduce spending rapidly and responsibly. Pay must also be restrained and deregulation and privatisation must be speeded up.

If these policies were not carried through, tax increases were the "second option".

Recent government proposals for economies have run into strong resistance outside the ruling coalition group. A plan to cut state subsidies to the health service by DM11bn a year by freezing drugs prices, reducing the number of registered doctors and increasing patients' charges has hit opposition from all groups.

A scheme to pay for care of the elderly by withholding sick pay for the first day of absence from work has stirred strikes among union members. The 4m-strong IG Metall metalworkers' union has promised national stoppages after the summer break.

Mr Kohl pointed out that health care payments are growing at twice the rate of contributions.

Progress in the east would be slower and more costly than first thought. But recent forecasts suggested accelerating growth of just under 3 per cent for the whole of Germany next year. Inflation was also expected to fall, he added.

First signs of this came yesterday from North Rhine Westphalia, which reported nil month-on-month growth in July and an annual rate of increase of 3.3 per cent.

Bonn cartel office rules against Gillette

By Guy de Jonquières, Consumer Industries Editor, in London

THE GERMAN cartel office yesterday ordered Gillette, the US razor group, to dispose of its interest in Eemland, the parent company of Wilkinson Sword and Gillette's main competitor in the world market for wet shaving products.

The order follows a decision in March by Mr Peter Lilley, then UK trade and industry secretary, to seek parliamentary authority to require Gillette to dispose of its shareholding in and loan to Eemland, formerly Swedish Match.

Investigation of Gillette's interest in Eemland has involved an unprecedented degree of co-operation by competition authorities worldwide, including the European Commission, which is expected to rule against the investment shortly.

Gillette owns 22 per cent of Eemland through non-voting shares. It also lent the company $69m three years ago to finance a buy-out of the consumer products businesses of Stora, the Swedish paper and forest products group.

The cartel office said the equity interest and loan, together with

Continued on Page 18

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Carrington urges further talks

By Robert Mauthner, Diplomatic Editor, in London, Laura Silber in Belgrade and Michael Littlejohns in New York

LORD Carrington, the European Community's peace mediator on Yugoslavia, yesterday made clear that he was prepared to go ahead with planned talks next week, with representatives of the three warring factions in Bosnia, in spite of their failure to respect the latest ceasefire.

His office said a letter had been sent on his behalf to Mr Alija Izetbegovic, Bosnia's Moslem president, Mr Radovan Karadzic the Serb leader, and Mr Mate Boban, the region's Croat leader, inviting them to London. "The ball is now in their court," Lord Carrington said in a television interview.

Expressing his dismay at the repeated violation by all parties of the ceasefire agreement signed in London last Friday, Lord Carrington's letter said it was no longer good enough for the parties to blame each other. "No one is blameless," it said. In the interview, Lord Carrington confirmed earlier statements that he would change his approach to the peace talks. If the warring parties wanted to come, he would try to focus their attention on working out constitutional arrangements, rather than first trying to negotiate a ceasefire agreement, he said.

It is by no means clear, however, whether the three sides are prepared to accept such a procedure, since all of them still appear to believe that they can make bigger gains by force of arms than through peaceful negotiations.

Referring indirectly to the criticism expressed by Mr Boutros Boutros Ghali, the UN secretary-general, of the lack of co-ordination between the EC and the UN peace-keeping and peace-making operations in Bosnia, Lord Carrington said he had no objection to a widening of the EC peace conference.

It is understood that Mr Douglas Hurd, the British foreign secretary and current chairman of the EC, gave Mr Boutros Ghali an assurance, during talks in New York on Wednesday night, that a UN representative would be welcome to take part in any of the EC-sponsored peace talks on Yugoslavia.

However, in New York, a UN spokesman emphasised that Mr Boutros-Ghali remained opposed to the EC peace conference's plan, endorsed by the Security Council, to place under UN supervision heavy weapons held by the warring factions in Bosnia-Hercegovina.

The Security Council last night scheduled further private consultations on the question. Referring to a written report, in which the secretary-general rejected the plan and criticised the procedures that produced the London agreement, the spokesman said those views had not changed.

This contrasted with Mr Hurd's remarks to reporters late on Wednesday, before he boarded a plane in New York for Manila, that the secretary-general's reservations could be overcome. However, Mr Hurd insisted that international control of heavy weapons in Bosnia was essential to any peace settlement.

Meanwhile, Serb irregulars continued to battle with Bosnian Moslem and Croat forces in Sarajevo, the Bosnian capital, and throughout the republic. The Serbs are trying to wrest from mainly Croat forces the control of the key towns of Derventa, Bosanski Brod and Brcko, northern Bosnia, to secure a corridor linking Serb-controlled territories.

Moslem defenders of Gorazde, eastern Bosnia, again sent radio messages appealing to the outside world for help. Some 70,000 people have been trapped in the city, the last moslem stronghold in Bosnia, for two months.

In Bonn, Mr Helmut Kohl, the German chancellor, said he had written to all his EC partners asking them to reconsider their reluctance to share the growing refugee problem equally among all 12 member states.

He hit out at his European partners for being too slow to recognise breakaway Yugoslav republics last year, but Mr Kohl stressed that no western state planned to send combat troops to end the bloodshed in the region and that the only hope for peace lay in political pressure.

A Bosnian woman is helped by fellow prisoners after fainting during an exchange of captives between Serbs and Bosnians on the front line near Sarajevo yesterday. She was one of a group of people that had been held for 20 days.

NEWS IN BRIEF

Spanish interest rates raised

THE BANK of Spain yesterday raised its benchmark intervention rate from 12.4 per cent to 13 per cent in an effort to dilute, in advance, the inflationary effects of a series of direct and indirect tax increases announced by the government on Tuesday, writes Peter Bruce in Madrid.

Spain's biggest bank, Banco Bilbao Vizcaya, immediately followed by raising its prime lending rate from 13 per cent to 13.5 per cent and most other banks are likely to follow.

The government's emergency fiscal package, designed to stem unexpectedly sharp increases in its deficits this year, included a VAT increase from next month of 2 percentage points to 15 per cent. That will force year-end inflation to at least 6.5 per cent, well wide of the 5.5 per cent target.

Yesterday's interest rate rise places official rates higher than they have been since May 1991.

Honecker may return soon

Mr Erich Honecker, the former East German leader, may soon be returned to Germany, where he faces arrest on charges associated with 49 deaths on the former East-West German frontier, writes Christopher Parkes in Bonn.

Chancellor Helmut Kohl said there had been "visible movement" and that a solution could be found soon, but he could not say when Mr Honecker might be sent back from Moscow.

The former communist chief fled to Moscow in March, 1991, and was given sanctuary in the Chilean embassy there last December.

The German Foreign Ministry said talks between the Chilean and Russian governments had reached the point where there were signs of a solution.

Mr Honecker's lawyer said reports that he could be expelled this weekend were "bare-faced lies." Mr Honecker would not leave of his own free will, he added.

Brussels aid for customs agents

The European Commission announced plans yesterday to provide Ecu30m ($40.5m) in emergency aid for customs agents whose jobs will disappear when EC border controls are removed, Reuter reports from Brussels.

The money, which must be approved by EC governments, would help create new jobs and business opportunities in 1993 in the worst-hit border areas.

More than 60,000 private customs agents stand to lose their jobs when all formalities on intra-EC trade are wiped out next January 1. They have staged a series strikes and other protests this year to demand compensation.

The Commission announced in May that it hoped to provide up to Ecu400m to retrain or re-employ customs agents, most of it coming from existing EC funds earmarked for regional development.

Bus strikers halt Athens traffic

Traffic in Athens came to a standstill yesterday when striking public transport workers marched in protest against the sacking of 1,200 people by the state bus company, Reuter reports from Athens.

Buses disappeared from the Greek capital and commuters who used cars or taxis were trapped in huge jams.

The union representing the bus workers said its 6,000 members would continue to strike until the conservative government rescinded the sackings, aimed at cutting deficits at the heavily indebted company.

EC spending cuts proposed for next year

By Andrew Hill in Brussels

EUROPEAN Community budget ministers yesterday agreed to scale back Commission spending proposals for 1993, overruling the wishes of poorer member states.

Ministers agreed that total EC spending should be cut from Ecu63.1bn ($85.18bn) this year to Ecu62.9bn in 1993. However, the draft budget now goes to the European parliament which has the power to make substantial amendments.

Negotiations over next year's budget are separate from the fierce debate over the 1993-97 budget proposals going on among foreign and finance ministers. But wealthier countries are still likely to use yesterday's deal to back their claim that the EC has money to spare. They say there is no need to increase the contributions of member states on the scale suggested by Brussels in its five-year plan.

Proposed expenditure for 1993 would be equivalent to a contribution from member states of just 1.09 per cent of gross national product – well below the current revenue ceiling of 1.2 per cent.

The Commission has said the ceiling must be increased to 1.37 per cent by 1997, but richer countries argue there is plenty of "headroom" under the current ceiling.

One element in the draft budget likely to be attacked in the European parliament is decision to omit a specific figure for the "cohesion fund" to help poorer EC economies catch up with their richer counterparts.

The ministers included a specific line for a cohesion fund in the 1993 draft, but rejected the Commission's suggested figure of Ecu1.56bn, despite the protests of Greece, Portugal, Ireland and Spain, which would benefit most.

The maximum committed spending under the draft agreed yesterday would drop from Ecu66.6bn this year to Ecu65.7bn in 1993. That compares with the Commission's proposal that commitments should rise to Ecu69.3bn.

The proposed budget gives effect to the reform of the common agricultural policy, but will involve cuts in other areas. For example, even before the ink was dry on the draft, the European consumers' organisation was complaining that funding designed for consumer protection had been halved.

Rise in jobless worries Brussels

By David Buchan in Brussels

THE LATEST drop in the European Community's average inflation rate was welcomed yesterday by EC officials. However, they are increasingly concerned about the steady rise in unemployment.

Consumer prices fell, on an annual basis, from 4.8 per cent in May to 4.5 per cent last month, with only Greece going against this downward trend, according to Eurostat, the EC statistics office. But, at the same time, unemployment is expected to average 9.5 per cent this year and to rise further next.

EC officials express some dismay that sluggish Community growth, forecast at only 1.75 per cent this year, may continue into next year as a result of German interest rates. However, the Commission is still officially predicting an expansion in the EC economy of at least 2.25 per cent in 1993. This is preventing many EC governments making an early start to curb public borrowing and expenditure, as they are required to do by the economic and monetary union provisions of the Maastricht treaty.

But, even in the extremely unlikely event of a renegotiation of the Maastricht pact, most Commission officials see no prospect of moderating the "economic convergence" criteria set down in the treaty last year. They say such a move would prove unacceptable to Germany.

Also, in recent meetings of EC finance ministers, most other governments have supported a long-haul approach to improving efficiency in the EC economy, even though cutting industrial subsidies and removing rigidities in the labour market are politically hardest to achieve at a time of low growth and rising joblessness.

Mr Jacques Delors, Commission president, has said the best riposte, at the Community level, to the criticism that Maastricht's Emu provisions are "deflationary", is to channel more aid to southern EC states. These, as in the recent past, would buy more investment goods from the north.

This, in essence, is the macro-economic strategy behind the new cohesion fund for poorer Mediterranean countries plus Ireland, which the Commission is due to propose formally next week.

Strikes put strain on Polish austerity

By Christopher Bobinski in Warsaw

POLAND'S tight monetary policies are coming under threat from the country's most serious waves of industrial unrest since economic changes began three years ago.

As strikes by coal and copper ore miners continue, an important western investor, Fiat, is also faced with a stoppage for the first time.

Workers at the FSM plant in Tychy, which is being sold to the Italian motor group, went on strike on Wednesday to demand that their wages should correspond to those paid by Fiat to workers in its plants elsewhere.

Fiat produces its Cinquecento car at FSM and the autumn should see the completion of an agreement under which it has agreed to commit nearly $2bn to the plant in exchange for a 90 per cent share of the equity.

The strike followed a stoppage which started on Monday by some 40,000 workers at the copper-producing combine at Lubin in western Poland.

The miners are demanding a 30 per cent wage rise, which can only be paid if the government eases prohibitive tough wage controls.

Ms Hanna Suchocka, the new prime minister, told the senate, parliament's second chamber, yesterday that the government would not permit settlements which "would favour one group of workers at the cost of other groups".

A strike also began at the Zofiowka coal mine, one of the largest pits in the Rybnik mining region in southern Poland which had remained unaffected by last week's stoppages in about 15 pits elsewhere.

The coal industry is already reporting financial losses, and pay concessions would imply a return to government subsidies.

These would place an additional burden on the budget where the present ceiling for the deficit of 5 per cent of gross domestic product is seen by the International Monetary Fund as a key element of a forthcoming agreement on renewed Polish access to credits worth $1.6bn.

Real wages in Poland in the first five months of the year fell by 5 per cent compared with the same period last year, while money supply has contracted by 1 per cent since the beginning of the year.

Czechs and Slovaks take legal road to break-up of federation

By Ariane Genillard in Prague

CZECH and Slovak leaders will begin drafting a law on the break-up of Czechoslovakia, after agreeing the formal abolition of the 74-year-old state early yesterday.

Meeting for the fifth time since June's elections, Mr Vaclav Klaus, the Czech prime minister, and Mr Vladimir Meciar, his Slovak counterpart, agreed to propose to the federal parliament by September 30 "a law on the federation's abolition and on settling the property and other related issues."

The draft law will offer several alternatives for deciding the country's break-up. These would include an agreement between the two republics' parliaments, a declaration by the federal assembly or a referendum.

It will offer more flexibility than the current federal constitution, which allows a divorce between the two republics to be decided only by a referendum.

Yesterday's agreement emphasised the intention of both sides to ensure a constitutional and orderly break-up of the country. But unilateral steps, such as the adoption of a Slovak constitution planned for late August, could bring a de facto end to the federation sooner than expected.

Czech and Slovak leaders will remain faced with the difficult task of dividing the assets and liabilities of the federation. Speaking to bankers in London this week, Mr Vladimir Dlouhy, the Czech Industry Minister, said the Czech republic would be ready to assume the federation's entire $9.3bn foreign debt.

According to Mr Klaus, yesterday's negotiations also focused on the possibility of creating a customs union between the two republics based on free flow of capital, labour and goods. But no agreement was reached on the controversial issue of whether a common currency should be maintained.

"We were not able to come to any final solution... It will be subject to further study and discussion," Mr Klaus said.

According to an earlier post-electoral agreement, the two republics will have separate budgets from next January.

Slovakia hopes to pass a full constitution in August. The Czech republic will follow suit and prepare its own, Mr Klaus said on Wednesday.

Germany reports crime wave in east

GERMAN border police said yesterday that crime was soaring on the country's eastern frontiers as illegal immigrants, car thieves and drug smugglers exploited the lack of border controls, Reuter reports from Dresden.

German border police caught 17,800 people trying to cross from Poland and Czechoslovakia in the first six months of this year compared with 16,319 for the whole of 1991. "The number coming across has risen dramatically. It's doubled or even trebled," said Mr Fredi Hitz, a senior officer in Germany's paramilitary border police.

Gangs smuggling in east Europeans were asking for up to $1,000 to take Romanians across the border. Car thieves have stolen some 80,000 vehicles from Germany and taken them into Poland and Czechoslovakia.

Germany 'should consider effects of interest rate rise'

The warning highlights French sensitivities in the run-up to the Maastricht referendum, writes William Dawkins

GERMANY should consider its neighbours' monetary problems when setting interest rates, Mr Michel Sapin, the French finance minister, said yesterday. However, he thought the markets had overreacted to last week's rise in the Bundesbank's discount rate.

His warning, which highlights French sensitivities in the run-up to the September 20 referendum on the Maastricht treaty, came during a regular meeting with Mr Theo Waigel, German finance minister, which was also attended by the presidents of the two countries' central banks.

France must "understand what is at stake in German unification and its economic consequences and it is absolutely necessary that the German authorities also keep in mind the external consequences of of their decisions on internal matters," said Mr Sapin.

"We must understand the problems of German and Germany must understand the problems of France," he said.

The French government fully understood that the Bundesbank had done its best to restrict the impact of its monetary tightening to Germany, by choosing to raise the discount rate - which only affects a limited amount of commercial bank borrowings from the central bank - rather than a more important official rate.

"I would have liked things to be understood this way by all the markets, which have shown a disproportionate anxiety over the sense of the decision," said Mr Sapin. The German rate rise was followed by a renewed fall in the dollar's value and in equity prices across Europe. However, Mr Sapin believed that Monday's intervention by the leading central banks to support the dollar was well timed and coordinated.

Mr Helmut Schlesinger, the Bundesbank's president, accepted that France already had high real interest rates, but stressed that German monetary stability was important to the world economy. The Bundesbank would watch the progress of German money supply and "draw the conclusions at the appropriate moment," said Mr Schlesinger.

France unveils Maastricht campaign

By Alice Rawsthorn in Paris

THE French government yesterday unveiled a FFr25m (£2.56m) advertising campaign to persuade the French people to vote in favour of the Maastrict treaty on European union in the forthcoming national referendum.

The campaign, which kicks off on Monday under the slogan "L'Europe est adulte, Donnons-lui sa majorite" ("Europe has grown up. Give it a majority") is by far the most ambitious promotional programme undertaken by any government so far in the Maastricht debate.

It will include five television commercials, each featuring a series of commentators speaking in favour of European union, radio advertising and posters placed on 6,814 billboards across France. Full page advertisements will be placed in 75 French daily papers next Wednesay.

The campaign has been co-ordinated by Mr Jacques Séguéla, director of the Roux-Séguéla-Cayzac et Goudard advertising agency in Paris and a close associate of President François Mitterrand.

Mr Séguéla has orchestrated marketing campaigns for both the Socialist party and the president in recent elections.

A 'yes' vote in the Maastricht referendum, which takes place on September 20, is seen as critical to the credibility of the socialists in the approach to next year's National Assembly elections.

Taking the one-stop shop to St Petersburg

Sid Shaw: pioneering Shoreditch sales pitch

By John Thornhill

BRITAIN'S agriculture minister, Mr John Gummer, flies out to Russia and the Baltic States tomorrow on a flag-waving tour. But there will be few British businesses to visit.

Amid much publicity last September, Mr Gummer summoned the great and the good of the UK retail trade to a breakfast meeting to discuss ways of developing the former Soviet Union's food business. At that time, Mr Gummer did little to dispel the impression that there would soon be Safeway stores in Sverdlovsk and Tesco stores in Tomsk, as one newspaper duly reported.

But, almost a year on, little has happened.

Only the privately-owned Littlewoods group has so far moved into Russia, opening two stores in St Petersburg last year.

But an unlikely British investor has been Sid Shaw, a doggedly persistent entrepreneur who runs Elvisly Yours, a shop selling kitsch Elvis Presley memorabilia in Shoreditch High Street.

Earlier this month, Mr Shaw opened a 2,000 sq ft "Super" store on Prospekt Smirnova in St Petersburg as a joint venture with a local co-operative. The store sells a hotch-potch of western goods, ranging from flea collars and cider to car repair kits, for either roubles or dollars. He expects it to take £2m in its first year.

Why does Mr Shaw want to open shops in Russia? "Why did anyone set off to California with a shovel?" he responds.

But Mr Shaw complains that he has received little support from the UK government or industry. He says he has contacted hundreds of companies seeking supplies to export but has met with a miserable response from most. "I have struggled for two years against Russian bureaucracy and British intransigence," he says. "This country is run by bloody accountants who have no imagination."

The British Food Export Council has agreed to help Mr Shaw find backers but says it is not surprising that he has not yet met with a more encouraging response. "He has a very jaundiced view of British suppliers, but you do not deal with someone you do not know," says David Gray, marketing manager at the BFEC. "At the end of the day, exports have to be based on a more centrally planned approach."

Mr Shaw has spent $500,000 (£262,000) on developing the Super store but has plans to open another ten, from cash flow – he has received no backing from any banks. He says Russia is in a state of "economic anarchy" at the moment and it needs unconventional men and methods to succeed there.

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South Africa begins tense countdown

By Michael Holman in Johannesburg

CONFRONTATION between the South African government and the main black opposition alliance looked inevitable yesterday following the collapse of efforts to avert a general strike on August 3.

Mr Cyril Ramaphosa, the secretary general of the African National Congress (ANC), at a press conference urged "millions" of South Africans to "overwhelmingly demonstrate that the De Klerk regime stands isolated as a white minority attempting to cling to power".

Other political and trade union leaders also rallied support for what they described as a "week of unprecedented action" to ensure a speedy transition to democracy in South Africa.

Mr Ramaphosa said the week of action would begin with a two-day general strike, followed by a day of demonstrations, occupations and marches, with further protests during the rest of the week.

Chief Mangosuthu Buthelezi, the Inkatha Freedom Party leader, condemned the strike plan, saying: "As long as the ANC keeps on generating tension through mass action, there is no way we can get anywhere near resolving the problem of violence."

Talks between the Congress of South African Trade Unions (Cosatu), the largest union grouping in the country, and the South African Co-ordinating Committee on Labour Affairs (Saccola), an umbrella employers' body, broke down on Wednesday night. The two sides had been meeting for the past two weeks in an effort to avoid the general strike and to break the constitutional deadlock.

Mr Ramaphosa, in an indirect appeal to Mr Cyrus Vance, the UN special envoy, warned that the current "tense atmosphere" made international monitoring "imperative". Mr Vance, on a 10-day visit to South Africa, will advise the UN Security Council on whether the world body can help end violence and break the deadlock in negotiations.

Thousands of protesters have already been taking to the streets in the mass action campaign led by the ANC and the Cosatu, so far without serious incident.

But concern about the capacity of the police to handle protest on a larger scale was heightened yesterday by a report which portrays the force as incompetent.

British investigators sharply criticised the South African Police's (SAP) handling of last month's killings at Boipatong, but said they had found "no evidence of direct police complicity in the massacre itself".

The investigators, led by Mr P A Waddington, director of criminal justice studies at Reading University, also said that. "inquiries in Boipatong have been obstructed throughout by the hostility and non-cooperation of residents, apparently at the behest of the African National Congress (ANC)."

There is no evidence, say the investigators, that police had any forewarning of the attack. The 50-page report, compiled with the assistance of two London detectives, is scathing in its assessment of the police: "To judge from Boipatong . . . the SAP suffers serious organisational problems", and lacks "adequate mechanisms for internal and external accountability, since they seem unable or unwilling to establish what action was taken by whom with what result", says the report.

The ANC described the report as "a damning indictment of the standards of policing in South Africa". Mr Hernus Kriel, minister of law and order, said that the government and police took the investigation's findings "very seriously indeed", adding that he had asked the SAP commissioner for an urgent report.

South African Communist party leader Chris Hani (left), ANC secretary-general Cyril Ramaphosa (centre) and the head of Cosatu Jay Naidoo

Mass action will test fragile social fabric

By Philip Gawith in Johannesburg

THE failure of South African business and labour to avert a general strike next month has set the stage for a tense period of civil and labour conflict which could not have come at a worse time.

The strike, on August 3 and 4, and the following days of rallies, marches and local demonstrations, take place against a background of an economy in deep recession and a volatile political environment where incidents of politically related violence continue unabated.

The efforts of business and labour in recent weeks to negotiate a charter for peace, democracy and economic reconstruction had contributed to a palpable sense that the political clouds were lifting. The announcement by President F.W. de Klerk that the controversial Koevoet and 32 Battalion military units were being disbanded, and the sending of United Nations special envoy Mr Cyrus Vance to the country contributed further to this more optimistic mood. Now the country faces a week of mass action, unprecedented in its scope in recent years, which will severely test the fragile social fabric.

Mr Cyril Ramaphosa, secretary general of the African National Congress (ANC), said yesterday that in failing to reach agreement with the Congress of South African Trade Unions (Cosatu), business had missed an "historic opportunity". He accused them of a "lack of commitment and resolve to solve the current crisis." This view was disputed by the South African Employers Consultative Committee on Labour Affairs (Saccola), the umbrella employer body, which said that "the breakdown is rooted in our inability to reach agreement on a total shutdown of all sectors of the economy" – a compromise discussed for August 3rd instead of a week-long strike.

Although the strike will take place, the efforts of business and labour were not in vain. Agreement failed to materialise when the perception took hold among the business community that it was giving a lot more than it was getting. Both parties agree the draft charter represents considerable progress which can be built upon in future.

The four sections of the charter – curbing violence, combating poverty, conflict intervention and political transition – would commit business, in particular, to an unprecedented involvement in addressing the main constitutional and socio-political challenges facing the country.

Just how successful the mass action campaign will be in putting large numbers of people onto the streets is a moot point. There is a growing feeling in the business community that mass action is something of a paper tiger.

Where mass action does become threatening is in the possibility that it will fuel further violence. The main concern lies in the potential for clashes between ANC/Cosatu members, supporting the stay-away, and members of the Inkatha Freedom Party (IFP) who are determined to go to work.

Cosatu's mobilisation efforts will not have been assisted by the weakness of the economy and a 45 per cent unemployment rate. Its policies have also caused a significant hardening of attitudes among businessmen who feel that they and the economy have taken about as much as they can.

Status may change to developing country

By David Dodwell, World Trade Editor

SOUTH Africa's role in the world trading system and its competitive disadvantages after decades of ostracism are receiving close attention, with the possibility of a "demotion" to developing country status and membership of preferential trading arrangements.

But the country would receive limited benefits from existing preference systems, and might antagonise competitors in the developing world, according to a study published yesterday by the Overseas Development Institute*.

The study argues that South Africa is not a typical developed country, with many characteristics typical of a middle-income developing country such as Brazil or Venezuela. As such, a strong case could be made for the country being "reclassified" as a developing country, and receiving a range of trade benefits that go with that – including privileges under the General System of Preferences (GSP) and the Lomé Convention.

The study nevertheless argues that the gains from such a reclassification would be limited. Most minerals on which it relies for almost three-quarters of its export income are not subject to preferences – including gold, by far the country's largest export earner. Main gains would be for fruits, metals, paper and leather, while other exports potentially important to South Africa – such as coal, sugar, beef, steel and clothing – "would be those least available under preference schemes", the report says.

Membership of the Lomé Convention would bring the greatest benefits, including closer links with other economies in southern Africa. But this would be difficult to negotiate because of fears of other Lomé beneficiaries

* *Trading with South Africa: policy options for the EC, by Sheila Page and Christopher Stevens, ODI, price £20.*

Palestinians seek more settlements concessions

By Hugh Carnegy in Jerusalem

ISRAEL yesterday ordered a permanent block on new government-backed Jewish settlements in the occupied territories, but said it would allow completion of almost 9,000 housing units already under construction.

The move, entrenching last week's temporary new building freeze, was in line with commitments by Prime Minister Yitzhak Rabin to curb expansion of settlements, regarded as an obstacle to Middle East peace talks.

But it was sharply criticised by Palestinians for falling short of their demand for a complete freeze on all building. They said completion of units under construction meant the settler population could rise by 50 per cent from its present level of 100,000. "It is a beginning but it certainly is not enough," said Mrs Hanan Ashrawi, the Palestinian spokeswoman.

Mr Yitzhak Shamir, the previous prime minister, and settler leaders bitterly condemned the announcement, saying it signalled the abandonment of their claim to eternal Israeli rule over the occupied territories. "For me this is a nightmare," Mr Shamir said. "It is impossible that the majority of the public will not show full opposition to all these measures which may lead Israel into a labyrinth of significant dangers."

Officials said Mr James Baker, US secretary of state, had been briefed on the measures. Israel is optimistic Washington will now approve $10bn (£5.25bn) in loan guarantees held up because Mr Shamir refused to freeze settlements.

Arabs seek to regain the initiative on peace

The dramatic change of political style in Israel has sown confusion, write Tony Walker and Lamis Andoni

WHEN Arab foreign ministers meet in Damascus this weekend they face the difficult task of regaining the initiative from a new Israeli government which has moved with surprising speed to assert its claims as a peacemaker.

Arab states and the Palestinians in particular, while intrigued by possibilities of progress towards peace, have been discomfited by the quick-fire decisions of Mr Yitzhak Rabin in his first week in office. Arab officials have tended to bluster as they seek to take account of the dramatic change in style, if not substance, of the new Israeli administration.

Mr Rabin's surgical strike at the heart of US concerns, notable curbing settlements in the occupied territories, has worried the Arabs, aware that President Bush wants to make his peace with the American Jewish community.

In Damascus, foreign ministers from Syria, Lebanon, Jordan and officials of the Palestine Liberation Organisation are certain to urge the US not to release loan guarantees for Israel until it has provided a firm commitment to halt all settlement activity.

Arab foreign ministers will also urge the new Israeli government to commit itself to negotiations, set to resume possibly as soon as next month in Washington, within a framework of United Nations Security Council resolutions 242 and 338 that require Israel to withdraw from land captured in the 1967 war.

Syria feels especially strongly about the need to re-emphasise the UN resolutions link to a peace settlement because of concerns that Israel may seek to relegate the Golan Heights issue to a "second phase" of the peace process, while focusing initially on Palestinian autonomy.

Mr Rabin has fuelled these concerns by indicating that his main priority was a confidence-building self-rule agreement with the Palestinians of the West Bank and Gaza Strip under the terms of the 1978 Camp David accords which led to the 1979 Israel-Egypt peace treaty. Damascus believed the agreement destroyed Arab solidarity and set back chances of regaining the Golan Heights. Syrian officials this weekend will be intent on trying to ensure Arab solidarity in the face of Israel's new peace offensive. Both Jordan and the Palestinians are likely to be left in no doubt about Syrian displeasure if they should contemplate breaking ranks. A central preoccupation in Damascus is likely to be what tactics to employ in dealing with the Rabin government.

If Arab demands are too insistent there would be a danger of undermining the pro-peace camp inside the Israeli cabinet, and in the Knesset.

Egypt is certain to argue strongly that greater efforts should be made by the Arabs to encourage the Israeli peace constituency, now that there is a real prospect of progress.

The Arabs are also being obliged to come to terms with the new reality of a dramatic transformation in US-Israeli relations. Mr James Baker, the US secretary of state, made it clear in public remarks during his visit to the region this week that he believed a new chapter had been opened in relations with Israel. His Arab interlocutors were left in no doubt who would get the blame if the fragile process was allowed to collapse. The US is pressing the Arabs, as a goodwill gesture, to lift the economic boycott on Israel which has been in force for 44 years.

It is unlikely, however, that such a step would be taken until talks have resumed, and only then if substantial progress was made. Arab officials have been saying this week that an end to the boycott will require Arab League approval, although the decision would not necessarily require the imprimatur of a full Arab summit. It should become clear after the Damascus meeting whether Arab scepticism will allow the leap of faith required for quick progress.

Mr James Baker, the US secretary of state, paid a surprise visit to Lebanon yesterday after a crucial meeting with Syria's President Hafez al-Assad to press for Arab co-operation in latest peace efforts, writes Tony Walker.

It was the first visit by a secretary of state to Lebanon since April 1983 when Mr George Shultz went to Beirut after a suicide car bomber killed 16 Americans in an attack on the US embassy.

Mr Baker hinted following his talks with Mr Assad that Middle East peace negotiations might resume sooner than expected. "We in the US want the talks to resume as soon as possible," he told reporters. Arab and US Officials say that bilateral negotiations between Israel and its neighbours may reconvene in Washington next month rather than Rome in September.

OBITUARY

Suleiman Franjieh: feudal warlord who became president of Lebanon

FORMER President Suleiman Franjieh, who died yesterday aged 82, was one of Lebanon's feudal warlords who helped drive Lebanon into 15 years of civil war.

The cigar-smoking head of the Franjieh clan and a personal friend of Syrian President Hafez al-Assad was head of state when Lebanon collapsed with the start of war in 1975.

A gaunt, white-haired figure, Franjieh was renowned for ruthlessness and physical toughness which was bred in the clan's mountain stronghold of Zghorta south-east of the port of Tripoli.

At the start of the war Franjieh presented himself as representing nationalist Christian Maronites untainted by Israeli links. "My homeland is always right," he repeatedly said.

He was elected president by parliament by one vote on the third ballot, on August 9, 1970, amid celebratory gunfire from thousands of his militiamen who had flooded into Beirut.

Admired by right-wingers for toughness towards the Palestine Liberation Organisation which created a state-within-a-state in Lebanon, he was hated by leftists who tried to force him to resign before his term ended.

"The only way I will leave the presidency is in a coffin," Franjieh said when the leftist Moslems failed to dislodge him.

Under his 1970-76 presidency, Lebanon was plunged into civil war and his stubborn refusal to step down was widely considered at the time to have prolonged the first bout of the conflict.

From 1975-1976, Franjieh as president was a firm ally of the late President Camille Chamoun and Falange Party founder Sheikh Pierre Gemayel.

However, he decisively changed tack after his eldest son Tony, his wife and his daughter, along with some 30 supporters, were killed in a Falange militia raid on his summer home in Ehden.

The 1978 attack by Christian militants was part of a drive to eliminate rivals and unify Lebanon's Christian community. But, in the tradition of centuries-old northern Lebanon blood feuds, Franjieh swore revenge on the Falange Party and the Gemayels, and with Syrian help drove them from the north.

Franjieh's close links with Syria arose from another violent episode – a 1957 gunfight with another northern clan in a village church which forced him into exile in Syria.

Born in Zghorta on June 15, 1910, Franjieh first became a businessmen but switched to politics in 1960. His father was a parliamentarian and his elder brother was foreign minister. He held a series of cabinet posts before the presidency.

Franjieh was reputed to play a mean hand of poker and was a keen hunter before his health started to deteriorate several years ago. He is survived by four children: three daughters and his son Robert.

Suleiman Franjieh: renowned for his ruthlessness

Abu Nidal aide assassinated

Walid Khaled, the spokesman for Abu Nidal's Fatah Revolutionary Council (FRC), the most extreme Palestinian group, was assassinated by gunmen in Beirut yesterday, writes Lara Marlowe.

Khaled, whose real name is unknown, publicly negotiated the release of seven French and Belgian citizens kidnapped in the Mediterranean from the ship "Silco" in the late 1980s.

WHO to probe Aids mystery

The World Health Organisation is to hold an "urgent" meeting to review several dozen cases of patients who have Aids symptoms but no sign of HIV, writes Clive Cookson in Amsterdam. Dr Michael Merson, head of the WHO Aids programme, said yesterday the meeting would complement the "top priority" US efforts to solve the mystery.

Hunger strike in Korean jails

Hundreds of South Korean political prisoners went on hunger strike yesterday, calling for their freedom and the abolition of a security law, Reuter reports from Seoul. Some 800 prisoners are reported to be involved.

Miyazawa to act on share slump

By Emiko Terazono in Tokyo

MR Kiichi Miyazawa, the Japanese prime minister, will today chair an emergency meeting on measures to support the country's flagging stock market.

The announcement came after Wednesday's 2.9 per cent plunge on the Tokyo market, where the Nikkei average fell to its lowest level since April 1986. Share prices rallied yesterday on reports of the emergency meeting, and the Nikkei surged 497.99 to 16,039.94.

Mr Miyazawa spoke during his campaign tour in Kobe, in western Japan, before Sunday's election for half the seats of the upper house of parliament.

He expressed concern over the effects of the Japanese stock market on other world markets. "We have to think of the Japanese economy's position in the world," he said, adding that all possible measures needed to be considered to support the faltering stock market.

Market participants were relieved by the announcement. "It seems like the authorities, who have been turning their cold shoulder to the stock market, have started to indicate that they care," said a fund manager at Dai-Ichi Life. The Tokyo business community was also heartened by the move. Mr Gaishi Hiraiwa, chairman of the Keidanren, the employers' federation, welcomed the government's response to stock market weakness.

However, Mr Miyazawa did not elaborate on possible measures to support share prices, and some scepticism remains. "The turnaround in the government's attitude is good news, but whether the support measures are practical is another matter," said Mr Nick Cant at Baring Securities in Tokyo.

Others expressed concern over the negative impact, if the emergency measures turn out to be little more than a rehash of previously discussed reforms.

The government's emergency economic package announced in March failed to restore investor confidence.

Pessimism over the Japanese economy is at the root of the stock market weakness.

Most investors had hoped for a rebound of the economy this autumn to lift corporate earnings. However, recent adverse economic data have cast doubts over an early economic recovery.

UN attacks 'terror' in Cambodia

By Victor Mallet, SE Asia Correspondent

MR YASUSHI Akashi, head of the UN Transitional Authority in Cambodia (Untac), yesterday accused Khmer Rouge guerrillas of terrorising Cambodians and roundly condemned it for flouting a UN peace plan.

His public criticism of the Khmer Rouge, one of four Cambodian factions which signed a peace accord in Paris last October, came two days after the UN Security Council demanded Khmer Rouge compliance and decided to allow foreign aid to go only to factions co-operating with Untac.

Speaking at a meeting of the Supreme National Council in Phnom Penh, Mr Akashi said ceasefire violations had increased, especially in Khmer Rouge controlled areas in northern Cambodia.

In the strongest language used by the UN so far, he accused the guerrillas of laying new land mines and launching artillery bombardments.

"The nature of these activities points to a deliberate policy of terror against ordinary Cambodians," he told the SNC, which includes the four factions and is supposed to run the country together with the UN until elections next year.

NEWS: AMERICA

California banks ready to bounce state's cheques

By George Graham in Washington

CALIFORNIAN banks are preparing to bounce the state government's cheques, as the state grapples with its most severe budget crisis since the Depression.

Left without a formal budget for the fiscal year that began this month, the state government has been reduced to paying its employees and contractors with IOUs, known as registered warrants.

More than $1bn is already outstanding, a big pay day is impending next week and banks are starting to grumble. Small community banks have virtually stopped accepting the IOUs, and the main Californian banks, such as Wells Fargo and Bank of America, are expected to do so shortly.

"This is a very unusual situation. I don't think anyone has issued scrip or IOUs since the 1930s," said Mr Ron Snell at the National Conference of State Legislatures.

Bankers' threats appear to have forced Governor Pete Wilson of California, a Republican, and Mr Willie Brown, Speaker of the Democratic-controlled state assembly, into a new effort to resolve their disagreements. "It's going to take this sort of action to get out of the impasse," said Mr Richard Mount of the Saratoga National Bank, near San Francisco, noting that the 5 per cent interest paid on the warrants did not begin to cover banks' handling costs.

But the size of California's fiscal problems, and the public policy questions which underlie them, will make it hard to reach a solution.

Faced with a budget shortfall last year, Governor Wilson agreed to a heavy tax increase. As the state's economy continued to suffer from recession, however, this failed to bring in as much revenue as hoped.

This year, the state faces a shortfall estimated at $11bn to $12bn, for a total budget of $55bn to $60bn.

"Even the states which had very large problems at the beginning of the 1980s, because of the collapse in oil and energy tax revenues, did not have shortfalls of 20 per cent. Some ran up to 15 and 16 per cent, but 20 per cent is unheard of," Mr Snell comments.

The roots of these Californian difficulties lie deep in the state's development over the last two decades and the policies it has pursued.

The growing population has placed heavy burdens on public education, as well as on the state social security system. These burdens have been made worse by strong immigration from elsewhere in the US, from Mexico and from the Pacific Rim countries.

During all this, the state government has had to take over from city and county administrations more of the cost of providing services, as a consequence of the 1978 state constitutional amendment, known as Proposition 13, that limited property taxes. Much of the discussion between Governor Wilson and Speaker Brown focuses on how to reduce the payments the state makes to local governments so as to compensate them for the property tax reduction under Proposition 13.

California has a history of passing by referendum constitutional amendments which mandate spending or earmark revenues. As a result, its governors complain that they control less than 10 per cent of their budget.

The fiscal crisis has been brought to a head by the recession, which has hit harder in California than in almost any other US state, and by cuts in defence spending, once a mainstay of the state economy.

Mr Gray Davis, state controller, said this week that he would start redeeming some of the IOUs from August 3. The state has about $1.5bn in cash, but is constrained in using that until a budget has been passed.

Even so, a longer-term solution is expected to require radical rethinking of the services California offers its population and the taxes it may levy.

Perot sees US on edge of depression

By Jurek Martin, US Editor, in Washington

MR ROSS PEROT is warning that the US "is on the edge of a severe recession or depression", avoidable only by adoption of tough measures as soon as possible.

In his first newspaper interview, with the Los Angeles Times, since dropping his undeclared presidential candidacy a week ago, the Texas billionaire promised to keep speaking out, trying to make those seeking public office face up to economic realities.

His own economic revitalisation proposals would be published perhaps next week. These are known to include a five-year plan to balance the budget by combining sharp rises in consumption taxes and steep cuts in federal subsidies and entitlements, including social security.

Mr Perot painted a dire picture of prospects for the US, unless decisive action were taken. "If we have an economic catastrophe, tens of millions of ordinary people, of the type that signed petitions [to get his name on the election ballot] will be devastated. It will probably take us 20 years to recover."

He foresaw the complete collapse of the financial establishment, with banks and mortgage finance companies all going under. "Then, if huge numbers of people are out of work, huge numbers will lose their homes and all the federally guaranteed home mortgages will kick in and that will have to be paid for, when people don't have work and the tax base is deteriorating."

Mr Perot has been criticised for abruptly withdrawing from the presidential race, though given credit for speaking out, albeit without supplying details, on economic policy. He had found the political process "brutal, brutal, brutal and intrusive". He sympathised with the ordeal already faced by Governor Bill Clinton, his wife and daughter. "Are we so involved in a game that we've lost sight of what's good for our country?"

LONG-SERVING: Fidel Castro greets crowds in Madrid yesterday

Crises thin ranks at Madrid summit

By Stephen Fidler, Latin America Editor, in Madrid

LEADERS of Spain, Portugal and 17 Latin American countries started a four-day summit meeting in Madrid yesterday, amid concern about crises facing several governments in the region.

Absent yesterday from the opening session of the Ibero-American summit were President César Gaviria of Colombia, embroiled in a crisis after the jail escape of drug baron Mr Pablo Escobar; President Alberto Fujimori of Peru, facing a guerrilla bombing campaign in Lima; and President Carlos Andrés Pérez of Venezuela, his country's senate refusing to let him travel because of a national political crisis.

Also absent was President Mário Soares of Portugal, reported to be ill.

The first such summit was held last year, at Guadalajara in Mexico. The meetings have emerged largely out of a Spanish desire to enlarge economic and political relations between the countries of Latin America and their former colonial masters, Spain and Portugal.

The occasion is being used to confirm inter-governmental commercial accords. Mr Felipe González, Spanish prime minister, and President Fernando Collor of Brazil yesterday signed an accord envisaging the extension of up to $3bn (£1.58bn) in Spanish credits and investments over the next five years.

The accord includes up to $500m of credits to finance Spanish exports to Brazil, and measures such as renegotiation of their double-tax treaty to boost foreign investment and joint ventures. The arrival of Cuba's Fidel Castro was marked by demonstrations for and against his government.

Observer, page 19.

Gaviria attacked over drug baron's escape

By Sarita Kendall in Bogotá

THE ESCAPE from jail by Mr Pablo Escobar, the Medellín cocaine cartel chief, on Wednesday morning has demolished the cornerstone of Colombian President César Gaviria's anti-drug policy. Mr Escobar's negotiated surrender, just over a year ago, was hailed as a government victory by most Colombians, few of whom saw it as an ignominious submission.

Now a storm of criticism has broken out, with leading politicians calling for the president's resignation. Mr Enrique Parejo, a former justice minister who nearly died in a drug cartel attempt on his life in Hungary, said the escape showed the government's drug policy as a "total failure" and the president without "all moral authority."

Mr Escobar seems to have escaped amid a gun battle while the army's special forces were trying to recapture the jail, near the city of Medellín. He and his associates had seized the director of prisons and the deputy justice minister when they entered the jail on Tuesday evening to tell Mr Escobar that he and his men were to be transferred.

With the collusion of the prison guards, Mr Escobar's men remained in control of the jail through the night until the army broke in.

In the ensuing mayhem, the director glimpsed a group of men in gas-masks – perhaps the last sighting of Mr Escobar and his associates. Reports that he was holding out in a tunnel under the prison appear to have been a red herring.

The Gaviria government's policy of encouraging traffickers to surrender and confess their crimes, in exchange for lenient sentences and exemption from extradition to the US, was meant to stop drug terrorism. The car bombs, assassinations and kidnaps that punctuated the war on drugs in Colombia did stop after Mr Escobar had surrendered last year; there was a collective sigh of relief and little talk of the political cost.

Mr Escobar seems to have expected to serve a short sentence – perhaps three years – and go free. But his confession to a single trafficking crime, of which he had already been convicted in France, made a mockery of the justice system. More than 17 investigations of his activities were in hand, and he was accused of having ordered the murder of a Bogotá newspaper editor, Mr Guillermo Cano, among others.

His unwillingness to confess to other crimes, thus breaching the terms of his surrender agreement, meant he had effectively forfeited the right to leniency and might have to serve 20 or 30 years.

Mr Gaviria said the government had decided Mr Escobar should be transferred, having received evidence that he was continuing criminal activities from jail.

National and foreign intelligence sources had been saying for months that Mr Escobar ran the prison on his own terms and continued to direct cocaine-trafficking operations.

The final straw for the government seems to have been the kidnap and murder of traffickers who had worked under Mr Escobar's umbrella but were, he believed, getting too big for their boots. Several of these "known criminals" visited Mr Escobar before their disappearances.

Mr Gaviria has said that Mr Escobar's life will be respected if he gives himself up and, fearful of a revival of the Medellín cartel's drug terrorism, politicians are already talking of negotiating a new surrender.

His prison stronghold suited Mr Escobar in many ways, particularly because enemies in trafficking organisations wanted to get rid of him and the police were unhappy about the surrender policy.

But it is clear he had contingency escape plans: now it is thought he will remain where he has the best cover – in his own trafficking structure.

The government's incompetence and shame at home and abroad will have far-reaching consequences. Congress is set to investigate not only the bungling of the military operation during the escape but also the absurdity of the luxury in which Mr Escobar was held.

Mexico to privatise airports

By Damian Fraser in Mexico City

MEXICO is to sell concessions to manage the country's airports and sea ports, deepening its commitment to privatise much of basic national infrastructure.

The Airports and Auxiliary Services revealed that the first airports to be sold are likely be those at the Caribbean resort of Cancún and the north-western city of Tijuana, on the US border. Both require new terminals. The government hopes the private sector will make the investment needed.

Few details have been revealed but Mr Carlos Cárdenas, head of the national chamber of construction, told El Economista newspaper that airport concessions for up to 20-30 years are likely to be sold. Foreign investors will almost certainly be welcome.

The scheme will be similar to that of concessions granted for building toll roads, he said. The government has already granted concessions for more than 3,500 km of toll roads, at an estimated cost to the private sector of about $5bn.

Last month, the Mexican company PACSA issued $312.7m (£163.7m) of highway bonds to finance the Mexico City-Toluca motorway. Some $207.5m of the bonds were acquired by international investors. This was the first time such bonds have been sold outside Mexico.

The transport and communications secretary said this month that Mexican ports needed to follow Singapore's example. The minister earmarked for privatisation the ports of Lázaro Cárdenas, Manzanillo and Topolobampo on the Pacific coast, and those of Veracruz, Tampico and Progreso on the east coast.

NEWS: WORLD TRADE

Paris court stubs out Cuba cigar brands

By Frank Gray

THE future of the Cuban cigar trade in Europe has been thrown into doubt after a French court barred the import of three leading brands because of a trademark violation. The three brands are Monte Cristo, H. Upmann and Por Larranaga. According to Seita, France's largest tobacco goods distributor, these marques comprise about 50 per cent of French Cuban cigar imports of 7.7m.

However, Cuba pledged yesterday that the court ban would not deprive connoisseur French smokers of their cigars.

Cubatabaco, the state tobacco agency, said it would send other prestigious Havana brands to replace the three banned names.

Mr Patrick Clayeux, a senior manager for Seita, said yesterday the company would stop distributing the three brands on August 14. All retail sales must stop by September 7. Surplus stocks would be withdrawn from retail outlets. In addition, Seita is obliged to stop production of Mini-Montecristo "whiff" cigars, manufactured in France with imported raw Cuban tobacco.

The landmark lawsuit, settled recently in a French appeals court ruling, stems from a dispute over the ownership of the three famous brands, whose proprietors fled Cuba following the 1959 revolution. Cuba, under Cubatabaco, has continued their manufacture since. In 1976, the former owners sold the marques to Cuban Cigar Brands (Curaçao) of the US, which launched the orginal challenge in various international courts. CCB in the late 1980s sold the non-US use of the brand names to Tabacalera, the Spanish distributor, which now controls them for all non-US business.

Mr Clayeux said that officials from Seita, Tabacalera and Cubatabaco had held a series of meetings to enable the French group to resume sales, but the dispute remained unresolved.

Cuba's struggling economy earns $100m a year from tobacco exports.

Mexico may impose green tax on polluters

By Nancy Dunne in Washington

THE Mexican government is considering a trade-related "green tax" to raise money for environmental enforcement and clean-up, according to a senior Mexican official.

Mr Santiago Oñate, attorney-general for environmental protection, said in Washington yesterday the government was trying to find a tax permissible under the rules of the General Agreement on Tariffs and Trade. "We don't want to generate some kind of subsidy," he said. Some sort of user-fee is likely to be more acceptable.

A "green tax" would be applied to industry operating in a manner harmful to the environment.

Mexico has already begun to spend $400m (£209.4m) on a US-Mexican border clean-up plan, and more funding is expected, he said.

Hundreds of foreign companies have manufacturing plants on the border, taking advantage of cheap Mexican labour, duty-free exports to the US and low environmental standards.

But the US Congress has yet to approve funding for the clean-up plan, although the Bush Administration has given a commitment to participate.

"If the US doesn't want to take charge of its part, then it is too bad for them," Mr Oñate said.

Although the negotiations for a free trade agreement between the US, Mexico and Canada appear to be moving toward a conclusion, there is bitterness in Mexico about a controversial US Supreme Court ruling which upheld the US kidnapping of a Mexican doctor. Dr Humberto Alvarez Hachain is now awaiting trial in Los Angeles for his alleged role in the torture of a US drug enforcement agent.

Joint dispute settlement, environmental action and inspections would have been "a very sound idea" before the Supreme Court raised the issue of the US honouring international law, Mr Oñate said.

"We have now a new task, that in order to fulfil actions that in the past could have been very easy...now they have to be more clearly designed, the rules more clearly set and explained to the public."

Environmental issues may be a key to Congressional approval of a North American Free Trade Agreement. Mr Oñate's message in Washington was Mexico's commitment that all future development must be "approached within limits of sustainable growth" and environmental considerations.

The government, he said, had decided to allow all citizens to sue for damages due to environmental hazards or to file complaints anonymously. If they wanted, they could accompany environmental inspectors. There would be no new money next year for additional inspectors, but those employed were undergoing more rigorous training.

The painful rush to sew up Nafta pact

Bush may want to present free trade deal to Congress in time for the elections, writes Damian Fraser

Coming to terms on trade: Canadian premier Brian Mulroney, left, President Bush and President Carlos Salinas of Mexico meet tomorrow to pave the way for the initialling of a free trade accord this month

TRADE ministers from Mexico, Canada and the US meet tomorrow in Mexico City in an attempt to resolve their outstanding differences over the proposed North American Free Agreement (Nafta) so that a text of an agreement can be initialled by the end of the month.

The flurry of activity, and the spate of concessions Mexico has made in recent weeks, suggests that President Bush may still want the option of presenting an agreement to the US Congress before the November 3 presidential elections. "The only reason to be hurrying up at this late stage is if they want to sign before the elections," argues Mr Timothy Bennett, chief adviser in Washington for the Mexican private sector.

Mexico has helped the frequently stalled negotiations gather momentum by making a series of key concessions. In return, it has received the promise of an end to US steel and textile quotas, agreement on food and health standards, the establishment of a trinational panel to settle disputes, and the gradual elimination of already low US tariffs.

The Mexican concessions appear more telling, in part because, as the most protected economy, Mexico has the most to give away. The government is also run by committed free-marketeers, who would, even in the absence of Nafta, probably have made many of the concessions unilaterally.

In one of its earlier concessions, the government agreed to let foreigners own 8 per cent of banking assets in 1993, with no single bank allowed more than 1.5 per cent of assets. Each year the ceiling will increase by one percentage point until the year 2000, when the then 15 per cent limit will be scrapped. However, foreign banks which exceed a certain size will not be allowed to grow through acquisitions, while Mexico will be guaranteed control of the national system of payments.

The Mexicans have also agreed to open all but 14 petrochemical products to foreign investment immediately, and of these another nine will be opened up in three to five years. This would leave just five out of 19 products in state hands state.

While the Mexican government has adamantly refused to let private sector oil companies explore for oil under "risk contracts" – where the companies can keep a proportion of oil they find – it will accept "performance contracts." This is where the driller is paid a bonus fee if he strikes oil, or performs his work under time. Contractors are now only paid a flat fee.

Mexico will also open up the procurement of Petroleos Mexicanos (Pemex) – about $5bn a year – and of the Federal Electricity Commission (another $2bn a year) to US and Canadian companies. But the three countries remain bitterly divided on just how much of the procurement should be opened up, with the US fighting for a full opening, and the Mexicans for something much more restrictive.

Mexico's decision to open up the corn sector to US and Canadian growers is perhaps the most significant concession, given the poverty in which most of the country's 2m corn-growers find themselves. Mexico has agreed to purchase 2.75m tonnes of corn a year, according to US corn-growers, and increase over a 15-year period the quota and simultaneously reduce tariffs on corn imports until free trade is achieved.

These concessions are conditional on agreement being reached on tariff reductions for Mexican exports of fruit and vegetables to the US. The US and Mexico still disagree on the speed at which US tariffs must be cut on sensitive products and even on what these sensitive products are.

Similarly, the three countries have made almost no progress on the car sector. The US is still pushing for a high regional content rule of 65 per cent, in the hope this would penalise non-American producers. The Mexicans and Canadians are hoping for 50-55 per cent, precisely so as not to scare away non-American investors.

As if that were not enough, Mexico and the US still disagree on Mexico's rules that require car companies to match imports into Mexico with exports from Mexican plants. The US wants to import two cars into Mexico for every car exported, but Mexico's autoparts makers object. Some kind of compromise will be made which sets a floor on domestic Mexican car production equal to last year's production plus a percentage of last year's total imports.

The three countries are also working on another compromise of some complexity. Mexican-based car companies will be able to import finished vehicles into Mexico according to, first, their exports of vehicles from Mexico and, secondly, a percentage of the imports of components made by their Mexican assembly plants. This percentage may start at 18 per cent and after 10 years end at 52 per cent.

The bewildering array of deals and differences reflect the different visions of North American free trade. The US is determined that their industries gain from the treaty, even if consumers do not. US car companies and textile producers want high rules of origin to block out low-cost Japanese and other low-cost Asian producers.

Mexico wants to protect its sacred oil sector from the the north and give weaker industries time to shape up before facing the onslaught of US competition. Like the Canadians, the Mexicans are marginally less inclined to shut out non-American companies from the new regional market by acquiescing to high regional content rules.

These conflicting visions of North American free trade will come to a head this weekend – and, just perhaps, be resolved.

Suzuki to develop minicar with VW

By John Griffiths

SUZUKI and Volkswagen are to develop jointly a European minicar to be built by VW's Spanish subsidiary SEAT in Spain. The car will replace the Marbela, which SEAT makes under licence from Fiat, its former partner.

Minicars, of which Suzuki is a big producer in Japan, are smaller than virtually any car produced in Europe. Both SEAT and Suzuki-badged versions are expected to be sold throughout Europe, through each partner's distribution network.

Drinks-can plant for Istanbul

CarnaudMetalbox, the Franco-British packaging group, is building a $40m (£20.9m) drinks-can plant in Turkey to take advantage of the fast-growing drinks-can market there, writes William Dawkins in Paris. The greenfield plant, to open at Izmit, near Istanbul, next summer with an initial capacity of 500m cans a year, will double Turkey's drinks-can making capacity.

Turkish company wins pipeline deal

Turkey has won its first major construction contract in Syria. The privately-owned Attila Dogan Company is to build a $25m (£13m) natural gas pipeline from Palmyra to the Mhardeh power plant near Homs for the AL-Furat Petroleum Company, writes John Murray Brown in Ankara.

Otis agrees Polish lift venture

OTIS Elevator, the world's largest lift manufacturer, is expanding in eastern Europe through a joint venture with Krakow-based PRDiE, a lift company owned by the Polish government, writes Andrew Baxter. The venture will sell, install, service and modernise lifts in Poland's third largest city.

NEWS: UK

Warning shots over EC rules on environment

By Bronwen Maddox

THE same environmental standards need to be applied throughout all EC countries to avoid creating barriers to trade, Mr Karel van Miert said last night in London in his first public speech as EC environment commissioner.

That principle should include drinking water and bathing water, he said.

Mr van Miert's remarks follow a recent statement by Mr Michael Howard, the UK environment secretary, that some EC environmental directives might be repealed during the UK's presidency of the EC. This provoked accusations from that water standards would be a target.

Although Mr van Miert will only hold the job for six months until the end of the current commission, his tenure will coincide exactly with the UK presidency.

His reference to trade barriers reflects concerns that some member states might impose tough environmental standards not so much to protect the environment as to keep out imports.

In a speech which also showed that he has adopted some of the policies favoured by his predecessor Mr Carlo Ripa di Meana, Mr van Miert said that new taxes should be used alongside regulation to persuade businesses to clean up the environment.

Taxes on the emission of carbon dioxide and on road haulage were particularly desirable, he said. One of the UK's priorities in its presidency should be to secure EC agreement on how to stabilise carbon dioxide emissions by the year 2000, he said.

This measure is currently being studied by member states but seems unlikely to make any headway this year.

The EC's action should not end at its own boundaries, Mr van Miert said. "The threat posed to our air and our water by the state of nuclear reactors in central and eastern Europe is the most striking example".

One of his first tasks will be to try and resolve the long-running dispute about which European city should be the site of the proposed new European Environmental Agency.

This has been held up by political horse-trading over the siting of other EC institutions.

Matrix Churchill falls victim to the recession

By Andrew Baxter

MATRIX CHURCHILL, the machine tool builder which was at the centre of allegations about illegal exports to Iraq, became the latest victim of recession yesterday when it announced that it had gone into receivership.

The company was bought from Iraqi ownership early last year and put through a wrenching restructuring by its new owners, Automation Investments. It has 190 employees making lathes, grinding machines and gearhobs at Birmingham and Coventry, in the Midlands.

Receivership comes a few days after the disclosure that machine tool maker, Beaver Engineering Group, had been placed in administrative receivership. It further underlines the woes of the UK machine tool industry, the world's seventh biggest producer, whose sales fell last year to their lowest in real terms since 1984.

Bumper output but sales stay stalled

Source: Datastream *First 5 months at annual rate

Safety net under a steep drop

Exports may be a buffer between carmakers and the worst of the recession, writes John Griffiths

A SHARP improvement in the competitiveness of the UK car industry, reflected in a tripling of exports since the late 1980s, stands to shield manufacturers from the worst effects of a UK car market slump which, it is increasingly feared, could last throughout this year.

Despite record spending on advertising and other promotional carrots to lure buyers into showrooms, there is a growing sense of unease that the traditional August sales upsurge will be weaker than previously hoped.

August has assumed enormous importance to car makers as it typically accounts for nearly 25 per cent of annual sales because of the August 1 introduction of the new prefix letter ('K' this year).

However, manufacturers and dealers have begun looking to September's sales with no less anxiety. They believe that those figures will more accurately reflect whether a slight lift in sales experienced in April, May and June – of 9.1, 1.4 and 4.4 per cent respectively – represents a faint but sustainable recovery.

The growing worry is that the relentless flow of gloomy statistics about the UK economy is damaging buyer confidence to the extent that the market could slip into recession for the rest of the year.

The current slump is the sharpest since the Second World War, and has seen sales plummet by one-third from a record 2.3m in 1989 to 1.59m last year. Sales for the first half of this year were a further 4 per cent down.

There is now a real danger, suggest some, that any real recovery will not get under way before 1993.

In those circumstances, even Mr Michael Hollingsworth, economist at the Society of Motor Manufacturers and Traders, finds it hard to see how more of the UK car-making industry would not escape production cutbacks and short-time working later this year.

Without the revitalised export programmes, widespread shutdowns would be unavoidable. But even though some key Continental markets are now coming off the boil, and total exports are likely once again to decline this year, the manufacturers at least would no longer face potential disaster.

And the safety net exports spread beneath the industry was emphasised again yesterday with an announcement by Ford of an expanded Halewood exports programme, just a few days after announcing that it would cut output at the Merseyside plant for a month.

The transformation in the UK industry's export performance over the past three years has been considerable. In 1988 the industry shipped just over 200,000 cars overseas, mainly to Continental Europe. By 1990 this had doubled and last year saw a further sharp rise to 605,000, much higher than in any year since 1973.

As a result, production slipped only 4.53 per cent below the 1990 level, to 1.237m. Output in the first six months of this year, at 686,763, was also only 1.1 per cent lower than in the same period a year ago.

The SMMT's Mr Hollingsworth says he believes that export markets will weaken further this year and that total UK exports could drop to around 500,000.

The industry is putting a brave public face on its prospects. But privately fears are being voiced that next month's domestic sales may be no better than the previous August's.

In the private buyer market worries about job security and the collapse of the housing market are seen as important factors. This reluctance, rather than inability, to spend reflected in high personal savings ratios is being compounded, some suggest, by a belief among private buyers that yet bigger bargains might be had by delaying purchases.

The attitudes of business car buyers are well reflected by the large leasing groups, which buy a broad spread of cars essentially chosen by their client companies. They offer manufacturers little comfort.

After the Conservative victory in the election, new orders started flowing through the leasing companies at a rate some 40-50 per cent higher than last autumn. But the spree lasted just eight weeks.

Few in the industry can recall a period of such violent swings of sentiment.

Britain in brief

Riots hit three towns in north

Riots flared across three towns in Lancashire and Yorshire yesterday in the worst night of disturbances in the area in recent years.

About 1,000 youths in Blackburn, Burnley and Huddersfield pelted police with petrol bombs and stones in a spate of violence which resulted in 59 arrests.

Mr Derek McNamara, assistant chief constable of Lancashire police, said it appeared that a "copy-cat" element was to blame.

Motorola to expand

Motorola, the US electronics group, announced plans to expand its East Kilbride semiconductor plant in Scotland to make it the biggest of its kind in Europe.

It is the second large investment in Scotland to be announced by a US electronics group in the last three months.

Motorola proposes to spend £40m to increase manufacturing capacity at East Kilbride and to enable the plant to produce a new generation of micro processors currently manufactured by Motorola only in the US.

Economy 'uninspiring'

The UK economy is slowly improving but the recovery is weak and uninspiring, the British Chambers of Commerce said.

The latest quarterly survey by the BCC provided a glimmer of good news on the economy following a string of pessimistic figures earlier this week.

It found that order books in the domestic market for manufacturing and service companies grew, on balance, in the second quarter.

"The recovery is here, but it is extremely weak and extremely fragile, and it would take very little to knock it off course," said Mr Richard Brown, director of policy for the BCC.

A slow-down in the growth of exports and a flattening out in the rate of improvement of the service sector in particular raised questions over the sustainability of the recovery.

Amerada Hess strikes oil

Amerada Hess, the oil company, said a test well it had drilled on behalf of three other licence partners on North Sea block 15/21 had penetrated a thick column of oil.

The well flowed at a rate of 5,880 barrels a day of light crude. The partnership, which also includes Deminex UK, Kerr-McGee Oil, and Pict Petroleum, plans to call the field Perth in line with the tradition of naming fields in block 15/21 after literary works or characters created by Sir Walter Scott. It immediately began further tests to determine the size of the field.

Engineers see gloom ahead

The Engineering Employers Federation sharply revised downwards its forecasts for UK economic growth this year this year and 1993 amid reduced expectations for UK and world recovery.

An update to the EEF's Engineering Economic Trends series, which last reported in the spring, confirms that engineering output has stopped falling, but pushes back by about six months the start of its recovery.

New editor for The Times

Mr Simon Jenkins is to be succeeded by Mr Peter Stothard, his deputy, when he stands down as editor of The Times in October.

Mr Stothard, 41, a long-serving Times journalist and executive, was appointed deputy editor in 1985 and also became the newspaper's US editor in 1989.

Salford's docks, like London's, suffer from empty offices, says **Vanessa Houlder**

Improvement in quay quality

Ten years ago, Manchester's Salford Quays epitomised the ugly face of industrial decline. The heart of what was once the country's third-largest port lay derelict and vacant. Its docks were deserted and its warehouses were a haven for rats. The canal was so badly polluted that someone falling in was alleged to be more at risk of dissolving than drowning.

This was the unpromising crucible of one of the 1980s' most significant experiments in urban regeneration. In place of the decaying docks, there are now a hotel, cinema, flats, offices, promenades, green areas and sweeping vistas across canal basins. The water is clean enough to fish in.

The transformation of Salford Quays provides a parallel with London's Docklands, the best-known example of the achievements and the difficulties of inner-city regeneration, although on a far smaller scale. The two areas have been moulded by similar forces: the decline of their docks, enterprise zone tax breaks, government-funded land reclamation and the property boom.

There are also physical similarities between the two former docklands: the neat street furniture, the colourful brick roads and the bijou, toy-town architecture, which already looks dated.

Both areas were governed by enterprise zones, set up by the government to offer tax incentives to investors. In Salford Quays, the Enterprise Zone expired in August last year, delivering so much new office space on to the market that its vacancy rate exceeds that of London's Docklands.

About 800,000 sq ft out of a total of 1.2m sq ft lies empty, according to Lambert Smith Hampton, the chartered surveyor. The empty space is concentrated in three buildings: Manchester Ship Canal Company's 116,000 sq ft Harbour City, AMEC Properties' 247,000 sq ft building called The Anchorage, and Charter Group's 530,000 sq ft Exchange Quay.

Charter Group's building has a close relative in the London Docklands, where the same company has erected a 503,452 sq ft building at Harbour Exchange. As well as physical similarities – both buildings are dark-glass behemoths – they have been a similar drain on financial resources.

Charter Group sold the buildings to investors in Enterprise Zone Trusts, having guaranteed to pay the rent and running costs until tenants moved in. The developments have so far been unable to attract sufficient tenants, and Charter cannot meet its obligations to investors.

"Charter ... is unlikely to meet its obligations and accordingly the Trust will be forced to pay these costs ...," said the Property Enterprise Trust's managers in a letter to Exchange Quay's investors last month. An additional difficulty is that, even if the scheme does attract a tenant, it is unlikely to be willing to pay the £15 per sq ft guaranteed by Charter Group. The market rate at Salford Quays, after taking account of incentives, is £10 per sq ft at most.

'At the start, people were sceptical. But it has established itself and people who come here like it'

While London Docklands has suffered partly from its location, some distance from the City, Salford Quays is close to Manchester city centre and well served by roads and buses.

However, London Docklands' well-publicised problems in securing the Jubilee Line extension have similarities – on a far smaller scale – with the extension of the metro to Salford Quays. The Salford extension would cost £17m – 100 times less than the Jubilee Line extension – but it has foundered for the same reasons. It would need a contribution from private developers, which are in no position to provide the funds.

There are also questions being asked over whether the construction of waterside flats and offices does enough for impoverished local communities. This point was highlighted a few weeks ago when there were disturbances in the surrounding area of Ordsall.

Salford Quays' supporters, however, stress its human scale, and contrast it with the London Docklands. As Mr Stephen Pressman of Dunlop Heywood, a firm of surveyors with an office in Salford Quays, said: "We are only two miles west of the city centre. You can go by car into the heart of the city in 10 minutes ... It is more planned; there is a greater sense of identity."

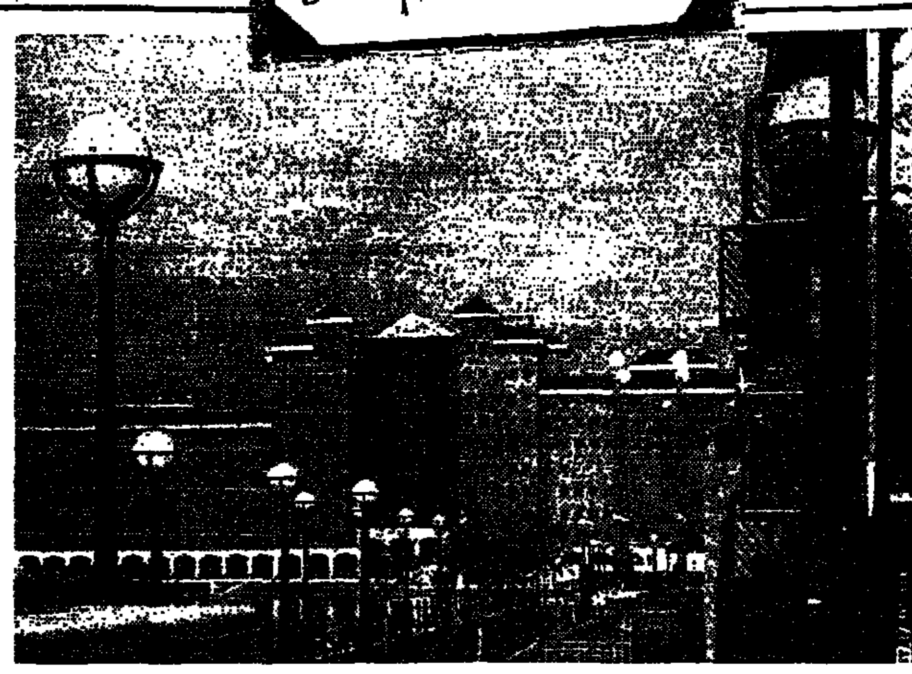
The planning was carried out at the behest of Salford City Council, which has been one of the driving forces behind the regeneration of the area. The operation began at the start of the 1980s, when it purchased much of the land on Salford Quays for £1.7m from the Manchester Ship Canal company and secured derelict-land finance from the Department of the Environment.

In 1985 it commissioned Shepheard, Epstein and Hunter, a firm of architects and planners, to produce a development plan. It drew up proposals to reclaim the area by constructing canals and quays, and putting in roads, pedestrian routes and landscaping.

The canal was dammed and divided into basins, thus reducing the scale of the dock and making it more suitable for development. "The water constitutes an asset which should be exploited with the same spirit of enterprise shown a century ago with the construction of the Manchester Ship Canal," said the architects.

By March 1991, the council, aided by government grants, had put in £30m of infrastructure, while the private sector's investment in industrial, residential and commercial buildings, a cinema and a hotel totalled £250m.

The ambitions of the developers grew considerably in the late 1980s, to a level that many critics think was unrealistic. Mr Mike Butterworth, property director of the Manchester Ship Canal, developer of the massive Harbour City scheme, disagrees. "If you look at the history of Salford Quays, it started with small industrial buildings. Gradually the quality and use has improved. This is merely the next stage," he said.



Rooms to let: it could take three to five years to absorb the space in Salford Quays

He conceded that the letting market was in a difficult state, but said he took comfort in the minimal land costs of the building and his company's decision to treat it as a long-term investment. "We are not looking for a quick buck," he said.

That is probably just as well. Even enthusiasts reckon it will take three to five years to absorb the space in the Salford Quays market. Although Manchester as a whole is not burdened with an oversupply of office space, hopes that the property market would benefit from relocations from outside the area have subsided.

The eventual verdict on Salford Quays will depend on its success at attracting occupiers. "At the start, people were sceptical," said Mr Pressman. "It was Salford docks and there wasn't much cachet about Salford. But it has established itself and people who come down here like it."

Mr Roger Rees, chief executive of Salford City Council, points out that the area is now employing 3,000 people – as many as the docks employed in their heyday.

Mr Rees wishes that the metro had been installed at the outset, but he is enthusiastic overall. "As an example of the conversion of decaying, derelict docklands in modern uses, then I think it has been successful by 20th century standards," he said.

His dream is to crown the achievements of Salford docks by building a £34m arts complex for opera, ballet and galleries, which would house the L S Lowry collection on the last significant site on the Quays. The plans were unveiled last week. If this is ever built, the building would be the last work of its architect, Sir James Stirling, who died earlier this month.

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Head Office: The Financial Times Ltd, Number One, Southwark Bridge, London SE1 9HL. Telex: (Editorial) 922186. Telex. (Advertising) 885033. Telephone: 071-873 3000. Fax: (Advertising) 071-873 3063.

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

Amsterdam: Editorial, PO Box 1296, 1000 BG Amsterdam. Tel:6276796 Fax 6235591 Advertising and Circulation Herengracht 472, 1017 CA Amsterdam. Telex: 16527 Fax: 235591 Editorial Tel: (020)6276796 Advertising & Circulation Tel: (020) 6239430/6225668

Bangkok: Maneeya Centre Building, Penthouse Floor 518/5 Ploenchit Road, Bangkok 10500. Tel: 255 5906, 251 1139, 253 6522. Fax 254 4843

Birmingham: Editorial and Advertising George House, George Road, Edgbaston, Birmingham B15 1PG. Fax: 021-455 0869. Tel: 021-454 0922.

Bonn: Editorial Heussallee 2-10, Pressehaus II/104, D-5300 Bonn. Telex:8869542. Tel: 0228-21 00 39.Fax:223889

Bristol: Editorial, Advertising and Circulation Merchants House, Wapping Road, Bristol BS1 4RW. Tel: 0272 292565 Fax:0272 225974.

Brussels: Editorial, Advertising and Circulation Rue Ducale 39 Hertogestraat, B-1000 Bruxelles. Editorial Telex: 23283. Tel: 02-512 9037 Advertising and Circulation Telex: 64219 Tel: 02-513 2816.

Buenos Aires: Editorial Edificio Safico Piso 7, No. 74 Avenida Corrientes 456, Codigo 1366, Buenos Aires. Tel: 01 394 7666.

Cairo: Editorial Flat 41, 19 Gabalaya Street, Zamalek Cairo Tel: 341 8546/341 8549 Telex: 94169 Fax: 341 8548.

Copenhagen: Advertising and Circulation Financial Times (Scandinavia) Vimmelskaftet 42A,DK-1161 Copenhagen-K,Denmark.Telephone(33)13 44 41.Fax(33)93 53 35.

Dublin: Editorial 20 Upper Merrion Street, Dublin 2. Tel: 762 071. Fax 762 125.

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Frankfurt: Editorial, Advertising and Circulation Nibelungenplatz 3,6000 Frankfurt 1. Tel.069-156850 Editorial Fax:069-5964842.Advertising Fax:069 59645421 Circulation Fax: 069 5964482

Geneva: Editorial Salle de Presse No1, Palais des Nations, Avenue de la Paix CH-1211 Geneva 10. Tel:(022)734 0428. Telex: 27760. Fax: (022) 733 7062. Advertising and Circulation 15 rue du Cendrier, CH-1201 Geneva. Tel: (022) 7311604.

Hong Kong: Editorial, 17a Shun Ho Tower, 24-30 Ice House Street, Central Hong Kong . Tel:845 3311 & 845 3312 Telex: 67940 FKHKO Fax: 868 4224. Advertising 17th Floor Ice-House Street, Central, Hong Kong. Tel: 868-2863/93 Fax: 537 1211.

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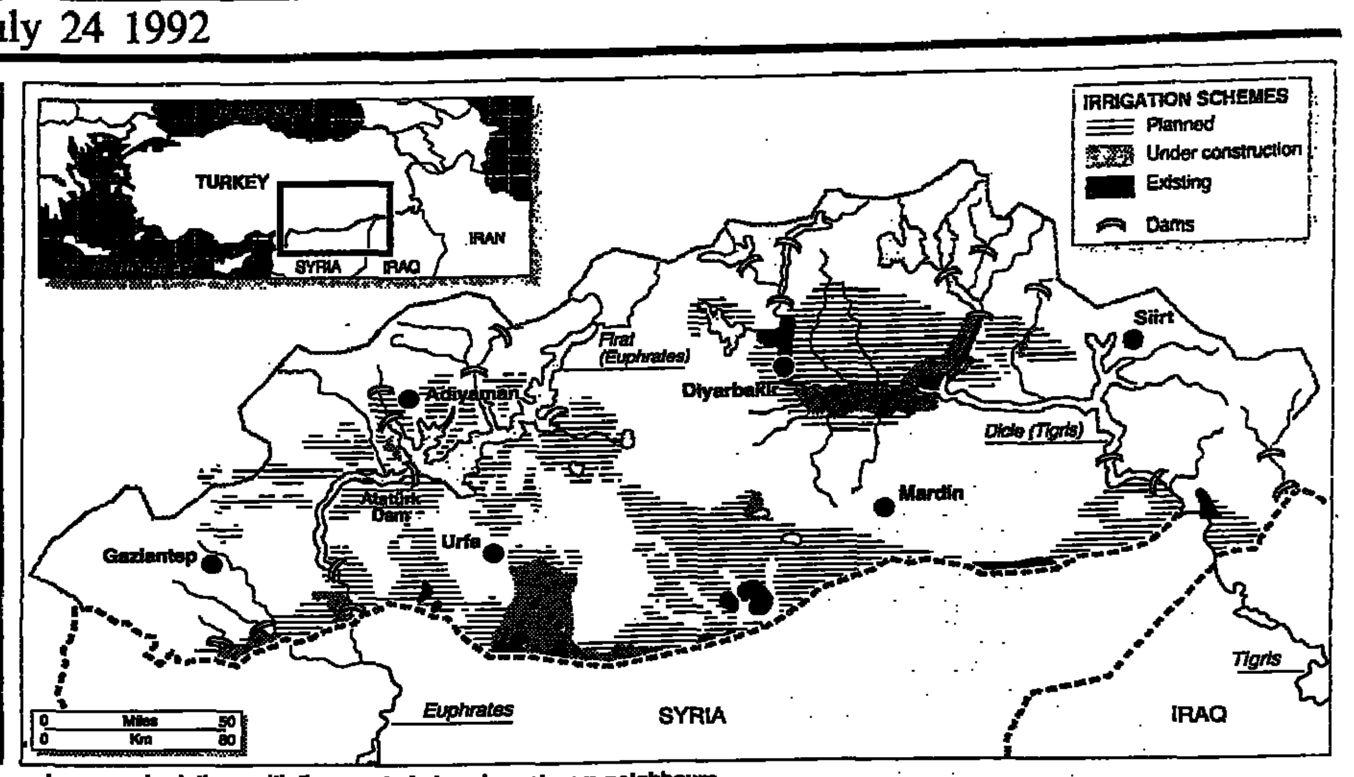
FINANCIAL TIMES SURVEY

TURKEY'S SOUTH EAST ANATOLIAN PROJECT

Friday July 24 1992

Ankara is seeking to restore the once 'Fertile Crescent' to its former glory. But the success of this ambitious and costly project hinges on whether the country can resolve a water dispute with Iraq and Syria and find a lasting solution to the instability within its Kurdish population, says **John Murray Brown**, who wrote this survey



Guneydogu Anadolu Projesi: The project promises much but it has also soured relations with the country's two downstream neighbours.

A tall order for Turkey

WHETHER a bold experiment in social engineering, or the profligate use of a scarce resource, the day of reckoning is fast approaching for Turkey's South East Anatolian Project.

Guneydogu Anadolu Projesi, or Gap as it is better known, is Turkey's most ambitious public investment, and the largest *construction project in the* countries bordering the Mediterranean. It comprises a sprawling network of hydro-power plants and irrigation schemes spanning the Euphrates and Tigris rivers along Turkey's *borders with Iraq and* Syria. Just as the ancients developed this alluvial plain, so Turkey is seeking to harness its potential to restore the once 'Fertile Crescent' to some of its former glory.

*The Gap is a large undertak*ing supported at the highest level by a political elite dominated by engineers. The project promises much but it has soured relations with Turkey's two downstream neighbours. A *continuing riparian dispute* with Syria and Iraq means few western donors are willing to provide credits for the development. Turkey has thus been forced increasingly to rely on its own over-stretched financial resources. Amid renewed budget constraints, the govern*ment is engaged in a policy* review.

Tomorrow, Mr Süleyman Demirel, the prime minister, will celebrate another landmark when turbines come into action for the first time on the *large Atatürk Dam on the* Euphrates, producing the first kilowatt of electricity from this $4bn investment.

With the Atatürk reservoir almost full, Turkey will soon have to decide whether to *press ahead with its irrigation* plans, diverting more water from the Euphrates, or first seek to negotiate a permanent water settlement with Iraq and Syria. Ankara would appear to have incentives to seek agree*ment. Syrian support for Tur*key's Kurdish rebels, which is linked to the water issue, is the most important. It was Turkey's decision to push ahead on the Atatürk project in 1983 and this is widely seen in Ank*ara as the reason Syria started* backing the PKK, the Kurdish Workers Party.

Signs of a political settlement are appearing. Turkey is participating in the technical meetings on water in Vienna in the context of the Arab Israeli peace talks. Last *November, Istanbul was* offered as the venue for an international water conference, a plan which was later cancelled over the issue of Israel's presence. Turkey has even floated a plan to redirect two of its rivers, *the Ceyhan and Sey*han, which end in the Mediterranean, so as make them flow to its Arab neighbours. If there is to be a comprehensive settlement of the region's problems, Turkey's Gap project seems *certain to* feature.

The Gap was conceived as early as the 1950s – some even say it was Mustafa Kemal Atatürk, the country's founder, who dreamt up the scheme. But the need to find a cheaper *fuel stock and to reduce the* import bill, created by the first oil crisis in the late 1970s, spurred the authorities into action. Today, power generation is just one element of a project embracing irrigation, *infrastructure development* and social services.

Officials put the total cost of the Gap at $9bn. By the next century, when the irrigation infrastructure and all 21 dams and 19 power plants are in *place, the total cost will have* reached $32bn.

The narrow objective has been to redress the imbalances of Turkey's poorest region, creating jobs in an area facing endemic unemployment, the *country's highest population* growth, and the social and economic deprivations associated with an eight-year-old rebel insurgency.

The scheme will increase Turkey's irrigated farmland by *a third*. Power from the dams will double the country's electricity capacity. The Gap spans eight provinces and is envisaged as the economic catalyst for a multitude of ancillary economic activities from seed *manufacturing to textile pro*duction.

The social impact is no less ambitious. Land reform offers a panacea for poor farmers caught in a trap of debt in a region where feudal alle*giances still predominate*. The advent of new farm technologies promises to drag these backward rural communities into the modern age, raising income levels and introducing mechanisation and the science *of modern inputs such as* fertiliser and pesticides.

By directing public investment to the region, the broader objective is to stem the flow of migrant workers, which has put such a strain on public services in cities such as Istanbul and Izmir. The promise of jobs *and a better life is seen* as a way to win Kurdish hearts and minds and undermine the popular support of the PKK.

The project is far from complete. Target dates have been repeatedly moved back. A *senior official suggested* the best they could hope for was to build all the dams by 2005, the original year of completion of the whole project.

But the Gap has also brought considerable benefits. Turkish *construction groups* have gained invaluable experience, which is paying dividends in markets further afield. The project has engaged the country's best engineers, scientists and urban planners. The Turks *are rightly proud of such* achievement.

There is none the less a growing need to reconcile some of the project's conflicting aims. In an economy where subsidies have long been seen *as a cure for an ailing agricul*ture, the policy of food support will have to be reviewed in the light of the anticipated surpluses produced by the Gap. Experts are looking at appropriate marketing strategies, keen to stop farmers producing surpluses of crops which are impossible to sell.

A debate is being conducted on whether policy should be framed to keep families on the land, or to provide alternative employment in urban areas. Many agronomists predict there will be a consolidation of land holdings as large agribusiness concerns move in on smallholders unable to finance the required new inputs. Such a development would run counter to one of the Gap's *social imperatives to help the* rural poor.

At a time of high inflation and spiralling budget deficits, the main argument continues to centre on the project's cost. Officials calculate it will pay *for itself in about six years*. However, some other estimates say the Gap accounts for a third of Turkey's 70 per cent inflation rate.

The indirect costs have made their mark. The investment incentives *and* the *special* levies introduced on luxury goods imports and other items – specifically for the Gap – have served to distort budget calculations further still.

Without outside assistance, the financial squeeze will continue to affect the timing. It will have an important effect on some of the policy choices, most immediately the choice of irrigation system which will directly affect the downstream users.

Mr Olcay Unver, head of the Gap authority, says that 70 per cent of the irrigation canals will use gravity surface techniques, with the rest using a pressurised hose – either drip or sprinkler. Uncovered surface canals, while less costly, *are considered the most extrav*agant in terms of water use. Moreover, the environmental effect of large-scale gravity irrigation, if not properly managed, could result in dangerously high levels of salt *deposits in the soils*.

Only if Turkey can solicit *foreign* assistance can new investments be made in the sophisticated technologies needed to conserve the water supplies. That will only happen *if Turkey can resolve its water* dispute with Iraq and Syria and find a lasting solution to its own Kurdish crisis – a tall order for any government.

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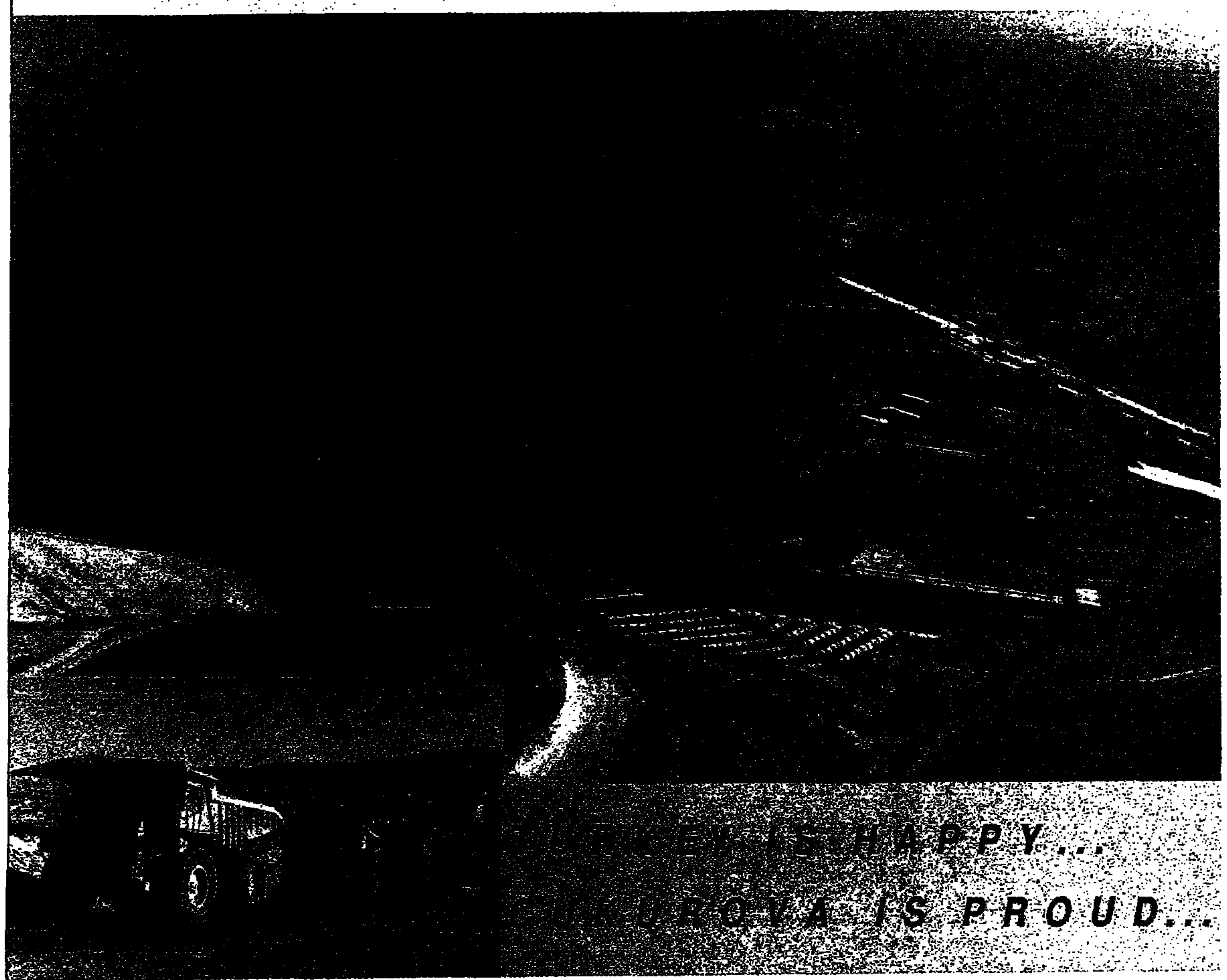

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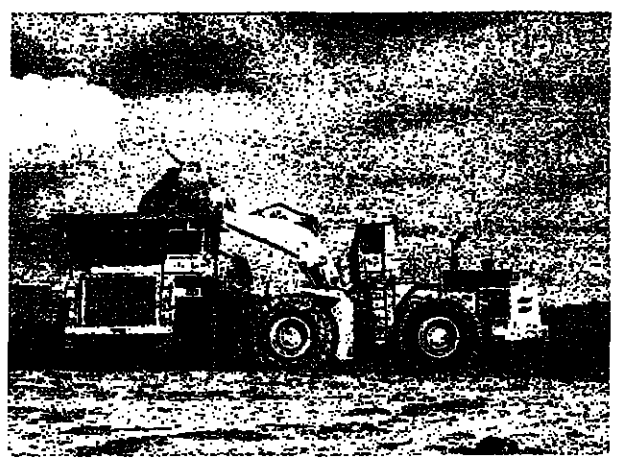

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Irrigation will have far-reaching effects on farming

Rich agricultural region gears up for change

WHETHER it is the water melons of Diyarbakir, the apricots in Malatya or Gaziantep's famous pistachio nuts, the "Antep fistigi", Turkey's south-east region, is already well known for its farm products.

With the advent of modern irrigation methods, the area promises to become a bread-basket for cereals and vegetables and an industrial greenhouse for horticultural products and exotic export crops.

The first 40,000 hectares on the Harran plain adjoining the Syrian border will be brought into the scheme next summer, or when water levels in the Atatürk reservoir allow. From a figure of less than 4 per cent today, the Gap area when complete will account for a third of Turkey's public and private lands under irrigation.

For the agronomists and soil scientists trying to anticipate these changes from the research centre at Çukurova University near Adana, the challenge is considerable. Remote sensing of the region's soil populations is not yet complete. Research has started on possible crop patterns, vital if those soils are to be properly conserved. The farmers, long used to rain-fed agriculture, have still to learn the new techniques of irrigated farming.

As the region's humidity increases, so pest problems will multiply. This will mean more pesticide and other requirements, which will increase the farmers' need for capital, putting new pressure on existing credit systems. More broadly, it will mean the government will have to reassess its subsidy policy if, as seems likely, much of the surplus farm production is to compete in export markets.

Whatever the policy choices, the Gap project, with 1.7m ha coming under irrigation, is set to transform the region's economy. Today, farmers face a six-month dry season. Few can cultivate more than one cash harvest a year. With irrigation, two or perhaps three annual harvests will be possible. But as farm outputs increase, farm incomes will also rise. The project will create demand for seeds.

Many of the big foreign names have already invested in the area, using sophisticated technologies to produce hybrids, which they sell on a royalty basis to state and private seed retailers.

Longer term, the project will provide the raw material for industries such as cotton ginning and textiles or processed food canning, cigarette production and sugar refining.

About four fifths of the Gap's 5.2m people are in farming. Some regions are more intensively farmed than others. Sanliurfa, for example, has 450,000ha of first class land, compared with just 22,000ha in Siirt province.

Moreover, the proportion of available land under cultivation is much higher than the national average in the south-east provinces, another indication of the scarcity of alternative employment. Among the project's eight provinces, only the economy of Gaziantep is not dominated by agriculture.

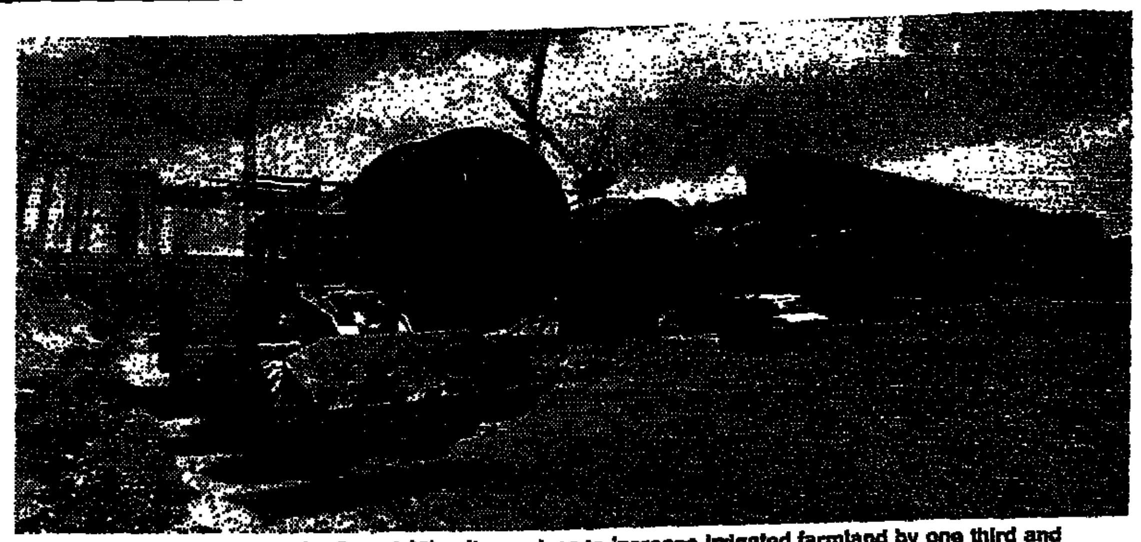
The region's cold winters, while unsuited to citrus, are ideal for other fruits and vegetables. Large quantities of pomegranates, almonds and sesame find their way to Turkey's markets. The remote mountainous area around Siirt, the most easterly of the Gap provinces, produces more than 15 per cent of Turkey's pomegranate crop. Given water supplies, improvements in marketing, and other modern inputs, the authorities predict that from the Harran plain alone the project will add more than $5bn to Turkey's annual agricultural export earnings.

The government master-plan, drawn up by the Japanese firm Nippon Koei, envisages "step wise" implementation of the irrigation services, given the limited capacity for on-farm development. The plan is based on the cultivation of cereals, pulses and cotton and three other crop types – oil seeds, fruit and vegetables and forage crops, and feed grains for livestock production.

Crop rotation, a practice which is unknown in rain-fed areas, is being introduced. Winter vegetables, oilseed and pulses, will be alternated with cotton as the summer crop, for example. The plan foresees that the area under wheat and pulses will be dominant, but that cotton production will rapidly expand as irrigation services become available.

According to official projections, the Gap will increase Turkish wheat production by more than 50 per cent, barley by a similar figure and the production of cotton by more than four times by 2005, when full irrigation is expected to be operating. This will add some 60 per cent to Turkey's current cotton output.

Infrastructure will be an initial constraint. Roads and railway links, a key factor in the transport of perishables, are not yet developed. Storage capacity is limited and, according to Mr Onur Erkan, the economics professor at Çukurova, there is not a single packing plant in the Gap region. As for the the broader environmental impact, this is a subject which has yet to be properly addressed.



Officials put the total cost of the Gap at $9bn. It promises to increase irrigated farmland by one third and double electricity capacity, but it has caused friction with Syria and Iraq who rely on water from Turkey

The Gap authority contracts a number of specialist consultancy firms. The German firm AFC is studying market strategy – how to sell the expected food surpluses, which crops should be encouraged, and which export markets should be targeted.

Tubitak, the Turkish science research institute, is looking at credit mechanisms for the Gap. Cheap credit is an important ingredient in Turkish agriculture policy, but it also represents an increasing burden on the budget.

The French group Compagnie National Bas Rhône Lanquedoc is surveying the main canal system. Alexander Gibb, the only UK concern working in the Gap, has a contract to look at the road network. Alexander Gibb is also one of several companies likely to bid on a irrigation management contract, which the Gap authorities say will go to tender later this month. The project will look at issues which include the extension skills that will be needed as farmers change to irrigated techniques.

The choice of irrigation is perhaps the most pressing issue. Following recommendations by Rhône Lanquedoc, on the regulation of the main canals, the Gap authorities have modified the system on the Harran plain to increase water conservation, but the main system will remain a network of open canals, which will be subject to greater water loss through evaporation.

However, considerable apprehension remains, particularly given the increased salinity associated with large scale gravity or surface irrigation programmes.

Professor Osman Tekinel, dean of the Çukurova Agricultural University, says the farmers should be left to decide. An expert on irrigated farming, Prof Tekinel believes farmers will upgrade to the more water-efficient sprinkler and drip methods once labour rates pick up and they begin to reap the financial benefits of yield improvements.

None of these issues seems insurmountable, given adequate time and research. But with the first hectares due to come under irrigation next year, when the colossal Urfa tunnels come into operation, there is a growing urgency to find solutions.

Turgut Ozal: as President he was to inaugurate the project

Suleyman Demirel: association goes back to the 1950s

Ozal and Demirel are both closely identified with the project

Finding common ground

PRESIDENT Turgut Ozal of Turkey and Mr Süleyman Demirel, the Turkish prime minister, may disagree on most things these days, but when it comes to arguing the case for the Gap, they sound like a duet.

For all its technical, financial and environmental problems, the Gap has supporters where it counts. Both men started their careers as engineers on the project, the president as a young electrical engineer on the Keban Dam, and Mr Demirel as director of the State Hydraulics Works DSI. Today they would each like to be seen as the founding father of the project.

Mr Demirel's association with the Gap goes back to the 1950s, when he earned himself the nickname of the King of Dams. He studied as a water technician, obtaining a degree in hydrological engineering from the Technical University of Istanbul.

It was when he became premier for the first time in 1965 that the plan for developing the vast water resources of the South East first took off. His government obtained World Bank credits for the construction of the Keban Dam.

In a later incarnation as prime minister, he laid the foundation stone for the Karakaya Dam in 1976. Mr Demirel insists it was during this period that plans for the Atatürk Dam complex were drawn up.

President Ozal, too, has been closely identified with the project. After studying economics and engineering in the US he took up a post as general deputy director of Electrical Studies and Research Administration in Ankara in the late 1950s. It was during this period that he first formulated schemes for harnessing the Euphrates for its huge hydro power potential.

As a young electrical engineer he had worked on the Keban Dam. As prime minister he was to give the political green light to the massive Atatürk Dam and reservoir complex.

And as president he was to inaugurate the project when the huge concrete "bung" was locked into place in early 1990, staunching the flow of the river to allow the authorities to trap water behind the dam.

It was President Ozal who formally opened the 26km Urfa irrigation tunnels, to take water from the reservoir to irrigate the Harran, Ceylanpinar and Mardin plains.

For a brief moment last week it seemed the president would not attend tomorrow's celebration, allowing Mr Demirel to open the flood gates on to the turbines this Saturday, generating the first kilowatt of electricity from the Ataturk Dam. According to his spokesman, the president would go to Malatya for an apricot festival in his home town.

Now it appears that Mr Ozal has changed his mind. The president will be attending. No one ever really believed he wouldn't.

Downstream neighbours resent Turkey's control of distribution

Water supply a thorny issue

THE last time so many high-ranking Turkish government officials visited the Atatürk Dam, it was to watch hawsers winching a massive 87-tonne concrete plug into the diversion channel under the embankment.

On that occasion, marked by the presence of President Turgut Ozal, Turkish engineers staunched the Euphrates for a period of 30 days, trapping the water behind the dam for future irrigation and power generation. Syria and Iraq, Turkey's downstream neighbours, both protested. Newspapers throughout the Arab world took up the cry.

Strategists have made a good living predicting that water will be the cause of the next big war in the Middle East. Turkey, controlling as it does both the Euphrates and Tigris, has been the subject of countless studies on what has become the region's most precious resource.

Turkey's South East Anatolian Project, GAP, and particularly the dam which is its centre piece, is the source of continuing friction with its two former Arab colonies to the south. In spite of technical meetings – the last one in Ankara in June 1990 – the three sides have been unable to agree a permanent distribution of the waters.

The issue is particularly urgent for the Syrians, who rely on water for 75 per cent of their power generation, not to mention the supply of drinking water and water for irrigation and industrial use. Iraq can use the Tigris, which is less directly affected by Turkey's irrigation plans. As a major oil producer, Iraq also relies less on hydro-power generation. On the other hand, it is the Euphrates which feeds Iraq's agricultural sector.

Much of the population in these areas is made up of Shia, and the Sunni administration in Baghdad has been at pains to win their support. Projections suggest the more Turkey uses the water to fill the reservoir and for irrigation purposes, the less will be available for the Syrians and the Iraqis.

Moreover, both downstream users face pollution and degraded supply, in spite of assurances from Turkish engineers that irrigated water will be controlled. Scientists predict the intensified inputs could also seriously affect ground water quality as fertilisers and insecticides seep down into the water table, polluting the springs on the Syrian side of the border.

Beyond these practical worries, Syria and Iraq both resent their growing dependence on Turkey and the influence that Ankara seems likely to assert in connection with the water issue.

For Damascus, the issue has been intimately linked with its broader security concerns. When Turkey decided in the early 1980s to push ahead with the Atatürk Dam, Turkish officials now acknowledge that it was this action which prompted the Syrians to start backing Turkey's separatist Kurdish Workers party, the PKK.

This bloody conflict has since claimed more than 4,000 lives. Syrian support for the rebels is also seen as a lever with which to win concessions on the long-standing bilateral grumble over the status of Hatay, a region ceded to Turkey at the end of the French mandate.

The joint technical meetings have proved far more amicable than the political exchanges. According to Mr Ferruh Anik of the state hydraulics works, DSI, Syria and Turkey have even discussed joint dam projects involving flooding the border to maximise the power generation.

But Ankara rejects calls for an internationally ratified agreement on the waters. Instead it says the dam programme has helped regulate the flow, providing its neighbours with constant supply – a claim consistent with the dramatic seasonal changes in water discharge and the historical evidence of flooding in the region.

The Gap project continues to be a source of friction

"The Syrian approach has always been to calculate their maximum needs. If you put Syria's needs and Iraq's needs together you will have twice the potential of the Euphrates. Until common sense prevails in these discussions there will not be any agreement," says Mr Burhan Ant, head of Arab affairs at the Turkish foreign ministry.

Turkish policy has none the less periodically sought to accommodate these concerns. In 1987, during a visit to Damascus, President Turgut Ozal, then prime minister, offered to guarantee a flow of 500 cubic metres a second at the Turkish Syrian border, until a "final allocation of the waters of the Euphrates between the three riparian states."

Various proposals have been made, Ankara even offering to transmit electricity to Syrian cities in the border area.

Before staunching the river in 1990, Turkey gave two months advance warning and offered to compensate by increasing the flows. Partly to appease international concern at the environmental effect of its irrigation schemes, Turkey is inviting foreign experts to assess the various canal schemes.

Yet the Turkish position remains that there is no legal case for sharing the waters. Mr Fahri Armagoglu, a journalist and lecturer on international relations, insists that the Euphrates and the Tigris are not international waters. "They both have their sources in Turkish soil," he says.

Moreover the Turks remain extremely wary of becoming involved in any multilateral accord, unwilling to embroil themselves in Syria's own disputes with Iraq. Turkish officials point out that Syria and Iraq almost went to war when Syria started construction of its Taqba Dam in the mid-1970s.

The rival riparian claims have frightened off potential donors, the Japanese recently having pulled out of a $350m canal irrigation development, reportedly following pressure from the Syrians. "Until there is a permanent agreement I don't think Japan will finance this project," said a Japanese embassy official in Ankara.

According to Mr Asaf Güven, then head of the Treasury, in the 1970s the World Bank agreed to finance the Keban Dam, but only on condition that Turkey guaranteed to supply Syria with 350 cubic metres a second for the duration of the loan.

On both Keban and the Karakaya development, the use of international financing gave the World Bank and other donors some control over how Turkey used its resources and their impact on downstream users. Significantly, when it came to finding credits for the Lower Euphrates development and the Atatürk Dam, Turkey decided to finance.

As Süleyman Demirel, the Turkish prime minister, once put it: "Water is an upstream resource and downstream users cannot tell us how to use our resources". Whether the current tension ever erupts into open hostilities will depend much on the extent to which all three countries manage to realise their planned irrigation projects. Turkish water officials estimate Syria can only make use of a third of the 500 cubic metres a second it currently receives, yet Damascus continues to demand 700 cubic metres.

Turkey's own plans to irrigate more than 1.7m hectares may prove over ambitious in itself, depending as it does on being able to finance the canal infrastructure and to continue to subsidise its farmers.

Turkey's budget problems have already served to set back the completion date. Moreover, once the dam is filled, Turkey says it will increase the water discharge to Syria as it fires up its power turbines. The first two units will be started tomorrow.

Officials also point out the original protocol contained an implicit undertaking that once the dam was filled, negotiations would restart on water sharing. Today, Turkey's desperate need for funds may persuade the government to revive this search for a political solution to the dispute.

The Atatürk Dam drew heavily on Ankara's financial resources

A home-grown achievement

WHEN Iranian President Ali Akbar Hashemi-Rafsanjani declined to pay his respects at the mausoleum of Mustafa Kemal Atatürk, Turkey's secular founder, the Iranian leader was taken to the next best thing – the Atatürk Dam.

Inaugurated in October 1981, this huge rock-filled structure is more than just a sight for visiting heads of state. The Atatürk Dam is the most important project in Turkey. It is also the most costly. Designed by Turks, the dam was constructed by Turkish contractors and financed with Turkish funds. Apart from the foreign suppliers' credits, the Turkish government budget bore the brunt of the $4bn investment.

From an observation point high in the project's headquarters the main landmarks can be seen: the mammoth 169m high embankment; the eight penstocks which carry the water to the power turbines housed below the reservoir stretching into the distance.

The statistics are impressive. The dam's 180m high clay core, with rock-filled wall, will impound a volume of 48.7bn cubic metres of water, making it the fifth largest dam in the world.

The design is said to be able to withstand an earthquake measuring 8 on the Richter scale. "It would take a nuclear bomb to dent it," said Mr Ferruh Anik of DSI, the state hydraulics department, during the Gulf War when asked about his fears that Iraq might attack the site.

When completed, the dam's total installed capacity from eight Swiss-built turbines will produce 2,400MW, with generating capacity of 9bn kilowatt hours – almost half Turkey's current hydro output. The reservoir will provide irrigation for about 730,000 hectares, with the first 40,000ha scheduled to come into operation next summer.

The system comprises a twin bore 24.6km tunnel which will take water from the reservoir to irrigate the Harran and Mardin Ceylanpinar plains. This will make it the second largest single source irrigation scheme in the world, and it will increase Turkey's irrigated land by a third. The value of the food surpluses resulting from such large-scale irrigated farming is estimated at $5bn.

Since 1983 the government has spent TL11,100bn ($1.6bn) constructing the dam, and a further TL5,600bn on electro-mechanical equipment. The completed cost is projected at almost half of what has so far been spent on the South East Anatolian Project as a whole. President Turgut Ozal once claimed that earnings from the electricity revenues from the Atatürk Dam would repay the cost of installing the irrigation network within four years.

According to Mr Anik, it still requires two or three good years with heavy snows to fill the dam to the required maximum elevation of 542 metres. But at a height of 526m the twin Urfa tunnels come into play. Depending on the next year's snow-melt, this could be as early as next summer.

Officials say there is even an option to raise the maximum water level further, although this would involve additional flooding, taking more land out of cultivation. It would also increase evaporation – involving, as it would, an increase in surface area.

According to initial calculations, the current water level of the reservoir, at an elevation of 507m, should have been too low for power generation to begin.

However, Mr Olcay Unver, head of the Gap authority, revealed there had been a few last-minute adjustments to allow Mr Süleyman Demirel, the prime minister, and his countless guests, to witness tomorrow the first two power units come into operation.

"There have been times when we have squeezed the government, and times when the government has squeezed us. But there were no serious delays. That's the real achievement," says Mr Asaf Güven of Ata-Insaat, the main contractor for the dam.

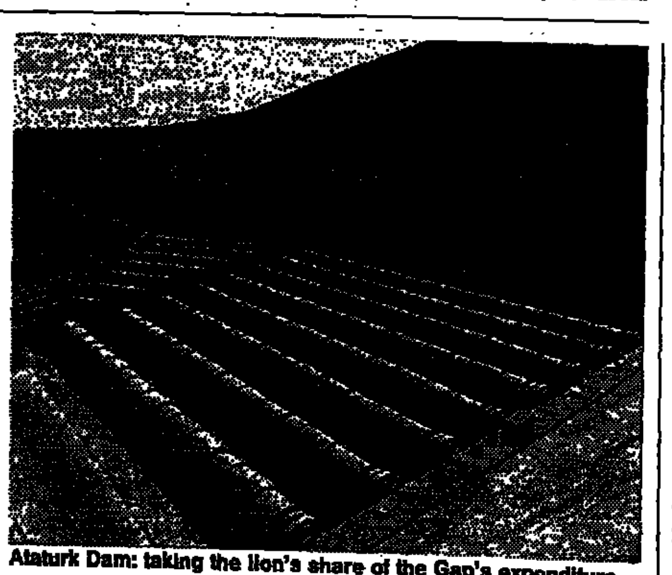
Ata-Insaat, a consortium of three Turkish contractors, was formed specially to bid for the dam construction work, winning the tender largely through a cunning financing package.

"The only demand we made was that a foreign exchange portion should be paid in advance to buy the machinery," says Mr Güven. With the government in agreement Ata-Insaat used a $200m credit, including a US Eximbank loan of $110m, to import US Caterpillars to start the site clearance.

From the start, many economists have contested the financial good sense of such a colossal undertaking. Gap, as a whole, is said by officials to consume $2m a day, with the Atatürk development taking the lion's share. Some economists estimate that these expenditures account for one third of Turkey's 70 per cent inflation rate.

Mr Güven takes a different view. "When the full electricity capacity is in operation, the government will earn between $800m and $900m every year, while still offering the consumer power at three cents per kilowatt hour. That's extremely cheap."

Asea Brown Boveri supplied the eight turbines – which each comprise 700 tonnes of generator rotor. For each turbine there are three transformers – supplied by Brown Boveri before the company joined the Swedish Asea.



Ataturk Dam: taking the lion's share of the Gap's expenditure

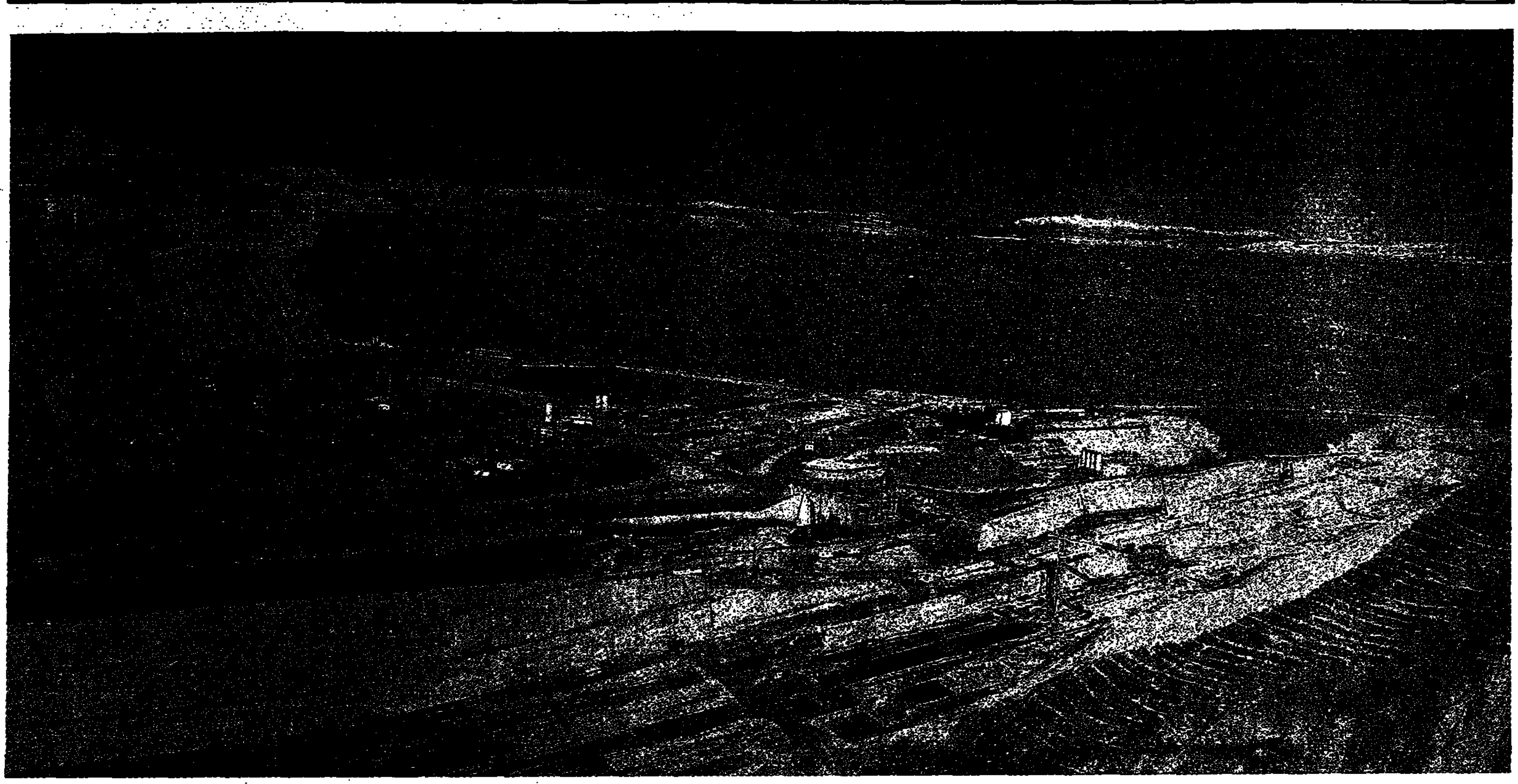
The dam is also a remarkable achievement for home-grown Turkish engineering.

The design and civil works, done by Ata-Insaat, have given the company invaluable experience. Mr Anik, head of DSI, says the original plans made no provision for the difficult task of closing off the bottom outlet, to allow the water level to rise sufficiently to cover the turbines. If the job had not been handled correctly, it could have created what engineers call a vortex, putting the base of the dam under dangerous pressure.

With its task all but complete, Ata-Insaat now has its sights on contracts further afield – particularly, it says, in the former Soviet states, where there is a growing demand for power plants.

GAP

A LANDMARK IN PROGRESS



The Euphrates and the Tigris, two rivers that will soon irrigate Upper Mesopotamia, the "Fertile Crescent" of ancient history.

The Southeastern Anatolia Project (GAP) will utilize the water and land resources of Southeast Anatolia, a region covering an area twice the size of the Netherlands and with a population of 5.2 million.

GAP is one of the largest development projects in the world with 22 dams, 19 hydroelectric power plants and numerous irrigation schemes on the Euphrates and the Tigris.

When work is completed, 1.7 million hectares of land will be irrigated and 27 billion kilowatt-hours of energy will be produced annually. In addition, the dams will ensure reliable water supplies downstream.

The project will provide 3.3 million more jobs nationwide and double the per capita income in the region.

GAP integrates activities in sectors such as agriculture, industry, transportation, housing, health care, education and tourism, thus contributing to the development of the region and Turkey as a whole.

Atatürk Dam and Hydroelectric Power Plant (HEPP) is the most important component of GAP, along with Şanlıurfa Irrigation Tunnels. Construction of the dam body is complete, the tunnels will soon go into service, and the Atatürk Dam HEPP will be inaugurated on July 25, 1992. The dam, among the largest in the world, has an embankment volume of 84.5 million m³ and an installed capacity of 2,400 megawatts.

GAP is a great project that will improve the socio-economic life of the region and the country, and, with the opportunities it offers, has already attracted the attention of local and foreign investors.

GAP is a source of pride for Turkey on the way to taking her place in the new world order. It will change the course of history as a step towards peace, cooperation and prosperity in this part of the globe where three continents meet.

PRIME MINISTRY
SOUTHEASTERN ANATOLIA PROJECT
REGIONAL DEVELOPMENT ADMINISTRATION

Already over 200 historic sites have been lost

Archaeologists race to save a crossroads

THE CAUSE of archaeology has never been uppermost in the minds of the Turkish engineers who drew up plans to flood the Euphrates valley. There are few signs that things will be any different when it comes to the Tigris.

The race is on to save what is, in archaeological terms, a laboratory: a crossroads of some great civilisations of the world – from the Assyrian and Persians, Commagenians, Romans, Abbasids of Aleppo, the Byzantines and the Seljuk Turks.

Already, as many as 210 documented sites on the Euphrates have been lost since the Keban, Karakaya and Atatürk dams were filled; perhaps many more.

In 1977, in a rush to beat the deadline, Ankara's Middle East Technical University conducted a survey of the affected areas, on the basis of which local and foreign archaeologists were invited to choose one site to excavate.

One example was Samosat, a massive Roman legionary base and the iron age capital of the region which is now inundated by the Ataturk reservoir.

The birthplace of the Roman writer Lucian, Samosat is dated to the first half of the third century BC. It is mentioned by Pliny, by Strabo, and in the histories of Procopius. It is believed to be the capital of the late Hittite Kingdom known as Kummuku; it was also the capital of the Commagene kingdom. It was besieged by Mark Antony, and later Vespasian made it a Roman province. "Surface evidence indicates the Samosat mound was occupied almost continuously from the beginning of the Chalcolithic period to the present day," the report stated.

Professor Halet Çambel of Istanbul University says that Samosat was probably the most important historical and archaeological site in the region.

Today she is campaigning to save Nevali Çori, near Urfa, where a joint dig with Heidelberg University has discovered a 7th century mosaic, which is slowly being covered as the Ataturk reservoir advances. "This is one of the two earliest mosaic floors in the world; the authorities should allow the waters to recede to enable us to move the mosaic," Professor Çambel says.

On the Tigris, things are potentially worse. "There has been no survey done," she says. "That story is even more sad because we don't know what we are losing if the area is flooded."

On the Tigris, things are potentially worse

After five years campaigning, Prof Olus Arik of Ankara University has just received a $10,000 budget direct from the Gap authority to excavate Hasankeyf, a late Roman frontier camp, at the crossroads of "three different worlds – the Asiatic, Mesopotamian, and Byzantine." This is three times the size of normal excavation funds approved by the culture ministry, but is still barely enough to make an impact on a site more extensive than Ephesus.

Today Hasankeyf faces the fate of so many of the sites in the Tigris and Euphrates valley.

According to the Gap master plan, the Ilisu dam near Midyat is projected to cover the area within nine years of the construction starting. "Only the top of the highest minaret might still be visible," says the professor.

Scrapping the dam is probably unlikely, given its importance in the overall Gap masterplan. But Prof Arik remains optimistic that the authorities may give him a reprieve, at least to be able to survey the site properly.

"I hope they will cancel it, or at least alter the plans. My argument has always been that Turkey shouldn't sacrifice 2,000 years of history for some kilowatt hours of energy."

In the light of other large-scale projects, the environmental issue is critical

Future hangs on guesswork

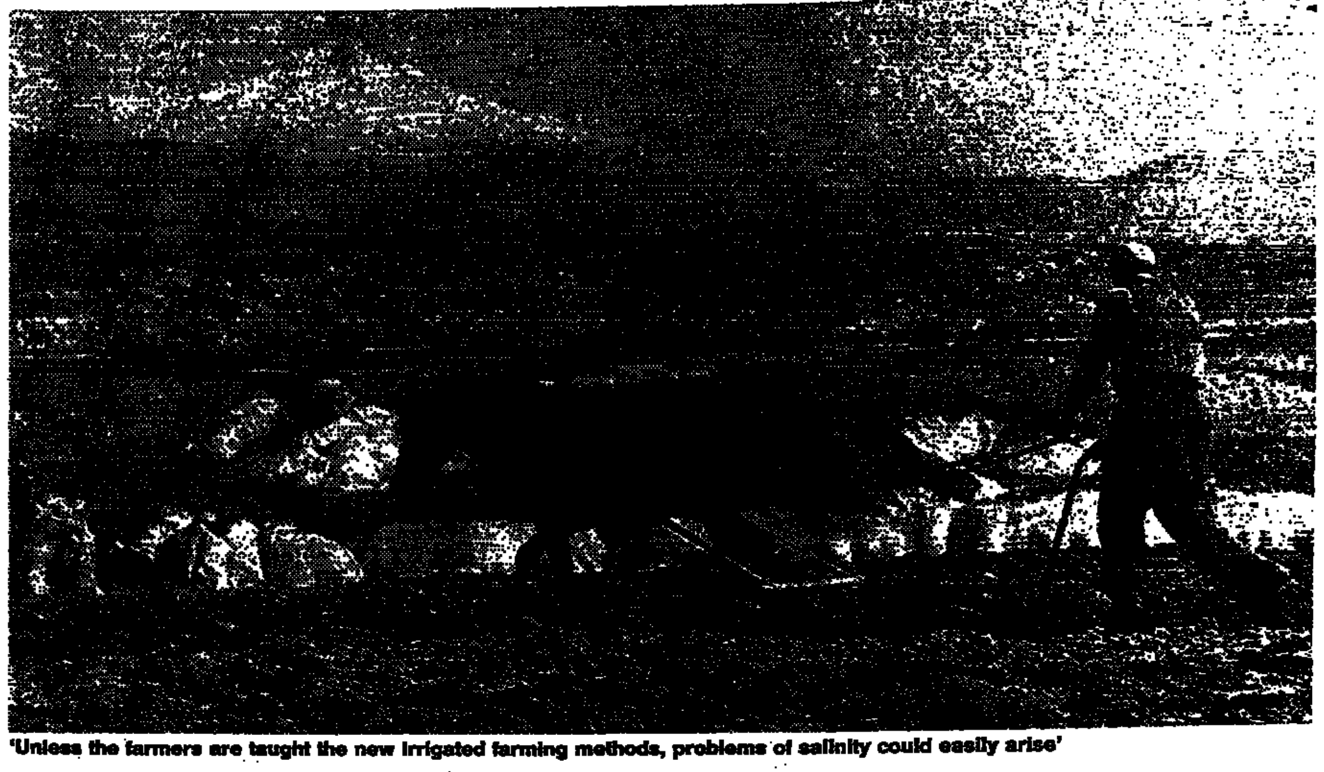
PROFESSOR Osman Tekinel, of Çukurova University, likes to put on a slide show for his visitors: a compendium of images of apricots the size of peaches, and bees undergoing the discomfort of artificial insemination.

Perhaps the most alarming is the one of the dessicated white soils of Turkey's south-east. It reveals, as the professor put it: "what happens if we get the irrigation wrong".

Today the Gap project provides a range of puzzles for a whole range of Turkish scientists, from soil engineers to ecologists, hydrologists, even – it seems – bee experts.

The area was, after all, part of the 'Fertile Crescent' in ancient times. Professor Tekinel and other members of the Agriculture faculty at Çukurova University are in little doubt that it can be part of it again. But no one underestimates the challenges.

The environmental issue is of urgent concern, particularly in light of the experience of other large-scale irrigation projects – the most notorious example being the Soviet Aral Sea development.



'Unless the farmers are taught the new irrigated farming methods, problems of salinity could easily arise'

In the Gap region, humidity levels alone are expected to triple over a period of 25 years, as a result of evaporation once the irrigation canals are filled.

What effect this will have on the micro-climate one can only guess at. Increased pesticide and fertiliser used on such soils will also result in higher pollution levels – affecting, in turn, the water sources.

To assess the environmental impact of the expected industrialisation is a job for the future. Today it is the Gap authority's task to install a irrigation system.

Surface irrigation currently looks like the chosen system, particularly if – as seems likely – the farmers choose to grow cotton, But surface irrigation consumes more water than sprinkler or drip methods. Drip, for example, is estimated to save 50 per cent of the water, and adds 30 per cent to the yield.

Surface systems could also prove even more of a problem for the soils, as salt deposits increase with evaporation. With the low precipitation, the water table is currently at around 135 metres. However, during the irrigation season, there is normally ground water much closer to the surface, where there is an impervious clay band. If excessive irrigation acts to raise the water level, this will add to the salinity problems in the critical area of the plant's roots.

At a 30 hectare research station in the Harran plain the university is experimenting on soil and seed types, planting and rotation patterns, and different water uses. Professor Tekinel, like many Turks working on the Gap project, remains optimistic.

"We have the world's largest wheat experiment – 110 varieties."

There are also 110 varieties of strawberries, mulched under plastic sheeting. "He didn't believe we could do it, 12.8 tonnes of maize in one hectare," he says, chalking up the name of the "doubting Thomas" German professor on the lecture room blackboard.

Some of his colleagues are more worried. "The changes to the natural environment could be disastrous. We have to be very careful," says Professor Ural Dinç, director of the remote sensing unit at Cukurova.

Professor Dinç is conducting a detailed soil survey of the region, half of which has already been mapped using satellite imagery. It will be too late, he says, once the land comes under cultivation. His research will feed into policy decisions on crop patterns.

"This is less important for annual crops, where farmers will be given a selection of five or six different types. But for fruit trees it is critical to match the soil types."

Professor Dinç's other concern is the impact of mechanisation, as farmers start to use tractors and other heavy harvesting machinery. His research is looking at the effect of compact soils, and on the disturbance associated with mechanisation.

But both professors agree on the most important thing, extension skills. Unless the farmers are taught the new irrigated farming methods, the problems of salinity could easily arise. Studies in the Çukurova irrigated scheme show that farmers believe the more water applied the better the yield.

Clearly one question is the pricing policy for the water. But – as Professor Dinç says – "that is a matter for the politicians".

Land reform is seen as crucial to the long-term health of the Gap

The landless need help

THE *aghas*, or feudal landlords, of the south-east region have their minds set on one subject these days: land reform.

If a less immediate problem, the issue is seen by many economists as critical for the long-term health of the Gap project. The question is, what sort of land reform?

Today, more than a quarter of the cultivated land is owned by less than 1 per cent of the region's farmers. On the other hand, 61 per cent of the farmers, or about 150,000 families, own holdings of less than 5ha.

A pilot project has just been started in the Sanliurfa region, to redistribute government land to landless farmers. To date some 10,000ha of government land has been given to landless farmers. "It's the landless farmers we want to help," says Mr Hürman Ocakli, vice-president of the Gap authority in Ankara.

In the 1970s, under socialist legislation passed by Mr Bulent Ecevit's government, land was expropriated from the *aghas* and given to poor farmers. In 1980, following the military coup, the law was overturned. According to figures from the Gap authority, more than 10,000ha has been returned to the original owners.

Today's government seems attracted to reform less as a vehicle to achieve more equitable land distribution than as a way to improve efficiencies, in a region where the patchwork of the small farms serves to reduce productivity levels.

A pilot project in the Harran plain has been started, aimed at consolidating plots. Many of the region's farmers have scattered allotments, too small to achieve economies of scale – a product of the local inheritance practices, where farms are divided up between the sons. Officials have set an optimum land plot at around 4ha for first class land and 6ha for the third grade farm. Under the project, they have set a maximum land holding of 60ha for any one plot.

Since 1983 in the Harran land reform area, land sales have been prohibited without government permission. This is partly to prevent alternative land use in the planned irrigation area, and to discourage the large agricultural combines from buying out smallholders.

Ironically, over the long term the master plan predicts that there will be a large-scale consolidation of land holdings, as mechanisation becomes more widespread, and as higher input costs force smaller landholders to sell up and head for the cities. Given the project's original aim to keep people on the farms, this might seem a contradiction. But, as Prof Tekinel sees it, "this is what happens when an area develops."

Lucy Kellaway meets Stuart Lipton at the village pump

Visionary with a wooden raincoat

MY OFFICE

If you visit the fifth floor of Landsdowne House in London's Berkeley Square you are in for a very special experience. The headquarters of Stanhope Properties is more than just another lavish office, fitted out in those far off days three years ago when money was no object.

Contrary to appearances, it is not *an office at all. It is* a village. Stuart Lipton, the head of the company and visionary of London's property market, explains that the corridor stretching from the reception area is actually a street. The place where you sit on stylish leather chairs, surveying the design magazines on the minimalist glass table, is no simple waiting area. "Our reception represents the heart of our little village. It is a soft place where visitors could talk to each other", he says.

The significance of every last detail has been thought out. What *might seem a fussy mixture of* glass, tiles, steel, light wood, dark wood, stone and plaster is yet another concept of building itself, with all main materials represented.

To those who think of their places of work in terms of desks, chairs and secretaries, Lipton's chatter about warm feelings of offices may be difficult to understand. Yet Lipton thinks he "helps people to demistify buildings".

He has done that with many acclaimed new developments, including Broadgate in the City of London. His battle cry is about good design, about the need "to produce a building with a friendly disposition. The culture of the building should be such that people want to brush against each other".

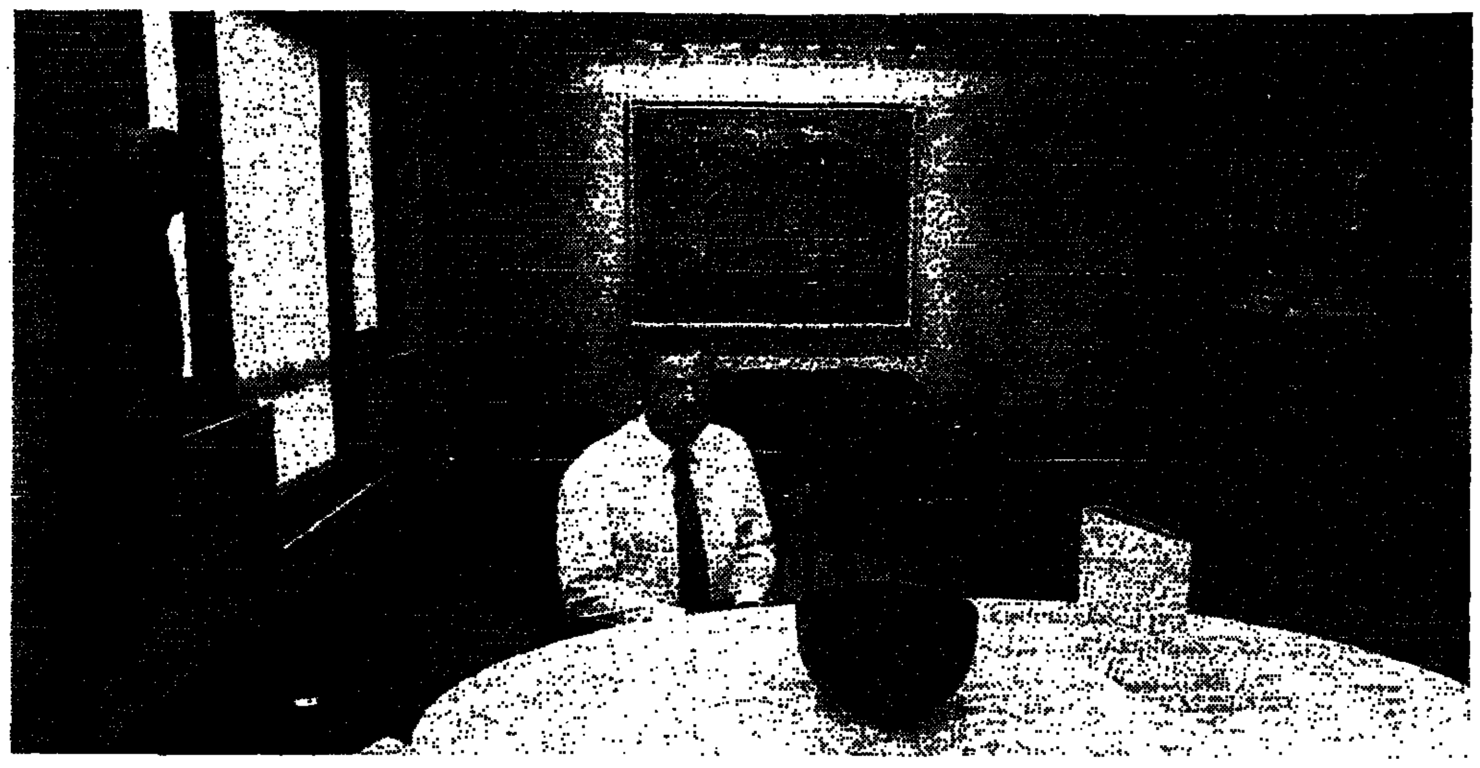
In Stanhope's offices – almost empty on the afternoon I was there – this can either be done in the "street" or in the post room, which Lipton describes as a "very social area in which there are no formalities". The room, in which a couple of secretaries were chatting, also contains the coffee "station", which he says is "like the village centre".

Unlike most villages, the Stan*hope offices are crammed* with works of art. Lipton makes much of this: he is on the board of the Royal Academy, is a trustee of various modern art galleries and was involved in building the Sainsbury wing of the National Gallery. "Life is about art and architecture," he says.

The most striking piece in his own office (or "private realm" as he calls it) is a life-size raincoat and umbrella carved out of wood, hanging on one wall.

"Ninety per cent of the people who come in here go for the timber. It's because it's meaningful. We all like soft issues." A large Miro print hangs above his desk, and on the wall next door is a brown modern canvas, the details of which he has forgotten.

Everyone in the company has a piece of art or *objet* in their offices, which they have selected from a collection chosen by Lipton. "I don't think art is a democratic business", he says. "It should be searching and demanding." Thus Lipton has chosen a large collection of abstract canvases, carpets to be hung on the wall, wooden bowls, and small *model snooker tables.*



Picture: Trevor Humphries

Office culture: Stuart Lipton, surrounded by his idiosyncratic collection of art, sits at an oval marble table in his "private realm"

The art, he says, is an antidote for the computer screen. Lipton is such a believer in the computer that he has dispensed with paper in his office. There is no clutter among his *objets*; his stylish glass in-tray is almost empty.

His oval conference table has nothing on its grey marble surface save an ethnic copper bowl. The more comfortable area with swish *leather chairs and sofas is equally* bare of paper, save a few design periodicals.

On every surface in the room is a telephone. This is another detail designed to make the visitor comfortable: "A lot of visitors get calls here, and they don't want the formality of talking at a chap's desk."

On the whole, Lipton is pleased with the general effect of the Stanhope offices, although he is a little *sheepish about the size of his own* (the 300 sq ft, he estimates, is on the conservative side). Indeed, both the space and the heady rent paid strike an odd note with Lipton's emphasis on squeezing full value out of every square foot.

"The office is a bit dated," he admits, surveying the stark modernity. "If I was doing it again the room would be smaller, the meeting area would be in a different room, it *would be more open plan."*

Indeed, *on his view of the future,* he would be lucky to have an office at all. His new concept is that of an hotel, full of facilities and with employees checking in and out. Each worker would have an electronic card, which as they enter the building would assign to them a desk and a telephone number. At Stanhope, they would doubtless also be allocated for the day their own *timber sculpture.*

Transparent move to European unity

Christopher Lorenz observes Pilkington's tricky balancing act in its new Brussels headquarters

Nine months ago Pilkington, Europe's second-largest glass maker, shattered the illusions of many conservative insiders by becoming one of the first British companies to relocate the headquarters of its core business from the UK to the heart of Europe's incipient "single market". It announced that direction of the European part of its big flat and safety glass interests was being moved to a small unit in Brussels *from its totem-like HQ on Mersey*side, deep in England's north-west.

At the same time it revealed a much-needed slashing of overheads: a net reduction of 250 in its 500-person corporate head office on Merseyside; 120 jobs were decentralised, leaving the HQ only 130-strong.

Yesterday, 24 hours after a sombre annual general meeting, it delivered another surprise: it is reinforcing in unexpected fashion the European structure it announced internally only a few months ago.

From the start, Pilkington's task in Brussels was a delicate managerial challenge: the creation of an integrated, European-minded operation out of a set of mainly nationalistic subsidiaries, notably its truculent German offshoot, Flachglas. *The latter's minority shareholders* were bought out only in 1989, after nine years of tension under majority British ownership. The situation was not helped by Flachglas's size: twice as large as Pilkington's equivalent glass operations in the UK.

Against this unpromising background, Pilkington embarked on the integration process with considerable diplomacy, while leaving no doubt who was now boss.

For a start, Brussels is an obviously neutral location. Then, between December and June, Pilkington gradually outlined the tactful structure and staffing of the 35-person Brussels organisation, called "Flat and Safety Europe". After a lengthy gestation period, the office opened officially last week.

Under the chairmanship of Glen Nightingale, a main board director of the parent company – who also has responsibility for the group's North American flat and safety glass interests – five directors of market-orientated European "business lines" were created. Only one of the five men is British: the chief executive of the existing UK glass company who now also has the European mandate for basic glass. There is one Finn and three Germans, including the Flachglas board spokesman, who now also has European responsibility for special glasses.

The nationality balance was given a slight tilt towards the British by the appointment of three English functional directors – for market*ing, technology and finance.*

Only two are based full-time in Brussels: the financial and marketing directors (the latter is an old hand and Nightingale's right-hand man). Nightingale expects the business line directors to be travelling for up to 70 per cent of their time, so he saw little point in uprooting them and their families. But, in addition to board meetings, he has declared a series of monthly "Brussels days", when everyone has to be there to mix informally.

Nightingale expects it to take up to another two years for each national company to be integrated into the new European structure, under their respective business line directors. This is partly to avoid overloading the people concerned, *but it is also because some of the* national companies have not yet moved fully to a market-based structure allowing clearly defined responsibilities to be transferred to Brussels. Flachglas, in particular, is still converting from its typically German functional structure.

It is the complexity and intricacy of the European reorganisation which caused yesterday's surprise: the appointment under Nightingale of a full-time chief executive of Flat and Safety Europe, who will take up residence in Brussels from October.

Companies with more European experience may be surprised that Pilkington could have hoped to accomplish proper integration without someone in such a post. Nightingale may be a powerful character, *but it was over-optimistic to expect* him to drive the tricky integration process by spending just two days a week in Brussels.

With hindsight, he now realises that "the man to whom the business line directors report needs to be based in Brussels – to cause *that* to be the centre of things. It's no good having a visiting leader – he has to be on the ground".

There was a second surprise in yesterday's announcement – that the chief executive will not be a European, but a South African, 52-year-old Brian Young. He has worked for Pilkington since 1967, mostly in Southern Africa, but for the past two years as chief executive of Pilkington Australia.

Again, the appointment has the benefit of neutrality, but some of the Germans may be discomfited by an Anglo-Saxon above them.

Nightingale admits there has been some "disquiet" that the business line directors will no longer, as originally planned, report straight *to a main board director. But he* says they know and respect Young.

The new man certainly faces a challenging task. Without submerging the national identities which have given Pilkington's constituent companies strong leadership in many of their markets – though not in southern Europe – he must exploit cross-frontier economies of scale much more effectively than over the past decade. Given all the sensitivities, that will create quite a thorny menu for him and his Brussels colleagues to master.

TECHNOLOGY

Scientists compete with sportsmen to see who can detect and who can hide banned substances, says **Paul Abrahams**

Athletes who are dying for glory

WITH millions of dollars of sponsorship at stake, greed will have driven some competitors at this summer's Olympic Games to cheat by using banned substances. Given that the side-effects of such medicines can be fatal, some athletes may be literally dying to win.

After the Ben Johnson scandal at Seoul four years ago, when the Canadian sprinter was stripped of his 100m gold medal after testing positive for drugs, the International Olympic Committee's medical commission planned the largest programme ever to catch such cheats.

During the Olympics fortnight about 2,000 urine samples will be taken. Athletes will be tested randomly, as well as the first four finishers in each event. Each sample will then be analysed by a new laboratory specially built in Barcelona, with 75 staff working 24 hours a day.

The drugs for which the scientists will be looking fall into five classes. They are:

- **Anabolic steroids.** These are synthetic derivatives of the male hormone testosterone. They work by boosting ribonucleic acid and protein production, which in turn is converted into muscle. The additional muscle allows for faster recuperation between training, permitting longer and harder training.
- **Stimulants** used to invigorate the central nervous system, allowing the body to tolerate higher levels of pain-causing lactic acid created during exercise.

It is difficult not to conclude that a whole generation of athletics records is corrupt

- **Beta-blockers** which have a calming effect on heart rate and blood pressure by obstructing the receptors that absorb adrenalin, so reducing its impact. Competitors involved in archery and shooting are most likely to take them.
- **Narcotics and analgesics** which act as pain killers, allowing athletes to compete with injuries and reduce the risk of cramps.
- **Diuretics.** These remove water from the body and can be used by boxers to lose weight before a fight, or by all competitors to dilute urine in an effort to hide other prohibited drugs.

In addition, the laboratory will be looking for masking agents which hide the presence of other drugs.

Since the introduction of random sampling in 1986, the International Olympic Committee (IOC) believes it has had some success in reducing abuse. In 1990, more than 71,000 samples were tested worldwide by the 21 laboratories accredited by the committee. Only 932 (1.31 per cent) proved positive compared with more than 2 per cent between 1987 and 1989.

Over the same period, athletics achievements have fallen. The results of the top 100 competitors in some events, particularly those involving women, have been disappointing.

In women's athletics, for example, performances in throwing competitions such as the discus, javelin and shot, as well as track events such as the 800m and 1,500m, have all fallen by as much as 5 per cent. It is difficult not to conclude that a whole generation of athletics records is corrupt.

But while such figures suggest increasingly stringent testing is beginning to have some effect, the potential rewards for successful athletes are so huge that there remains a constant battle between competitors, desperate to improve their performance artificially, and the scientists anxious to catch them.

In spite of the technology available, the authorities admit there remains a huge discrepancy between usage and detection.

A recent World Health Organisation survey concluded that as many as 20 per cent of athletes have used drugs to boost performance. The survey, which questioned athletes in Australia, Canada, Italy, the UK and US, showed that about six per cent had used stimulants, steroids or diuretics over the previous 12 months.

Detection has been complicated by the arrival of a new generation of molecules available to sportsmen and women who want to cheat. There is now little need for athletes to use easily detectable synthetic substances which are becoming obsolete. Instead they can use natural molecules already found in the body. So, if few athletes are tested positive over the next two weeks, it may not be a sign that the scientists are winning, but merely that athletes are becoming more sophisticated in their drug taking.

One of the natural substances is erythropoietin, known as EPO, which is a natural hormone essential in the production of red blood cells. It is normally produced by the kidney but is also manufactured artificially by Amgen of California. By taking EPO, athletes boost the number of red blood cells that carry oxygen and so boost stamina.

Tests in Sweden by Bjorn Ekblom, professor of physiology at the Karolinska Institute, show that performance in endurance events can be improved by 10 per cent when using EPO. Another substance increasingly being used is natural testosterone which is found naturally in both men and women.

Detecting both testosterone and EPO poses problems for scientists. Old-style tests, which used to produce a simple response of either negative or positive, are no longer sufficient. The problem is not testing for them, since they are naturally present, but rather working out what the normal level should be. Test results are now the subject of acrimonious debate as scientists and lawyers dispute what represents a normal hormone balance.

When examining testosterone levels, the International Olympic Committee and International Amateur Athletics Federation have both decided to compare them with those of epitestosterone, another naturally occuring hormone related to testosterone production. If testosterone levels are six times those of epitestosterone, the competitor has probably been taking the hormone.

One potential way of by-passing many present problems is to introduce tests on blood rather than urine. In theory blood should be easier to analyse. Sports administrators are investigating the possibility, but there are religious and cultural problems in implementation.

However, Michele Verroken, head of the doping control unit at the UK's Sports Council, warns that blood testing is no panacea. At present, scientists are used to dealing with waste products. With blood testing, they would have to look at a far greater number of intermediate products. She argues the results would be far from straight-forward.

The efforts of scientists are hampered not only by new drugs but also by the failure of the relevant authorities to deal with the drugs problem adequately. Most experts believe testing during competitions is a waste of time because athletes are aware that they will tested. This gives them time to stop taking the drugs and clean out their bodies.

The sports authorities are only beginning to come to grips with out-of-competition testing. However, not even this is always effective. Tests are often announced in advance, giving time for sportsmen to use a catheter to clean their bladder or for a woman to conceal a condom with clean urine.

At times there also appears to be a lack of political will from the sports federations. Germany's Katrin Krabbe, the world champion for 100m and 200m, and Butch Reynolds, the American 400m world record holder, were banned by the International Amateur Athletic Federation, only for them to be reinstated by their national authorities.

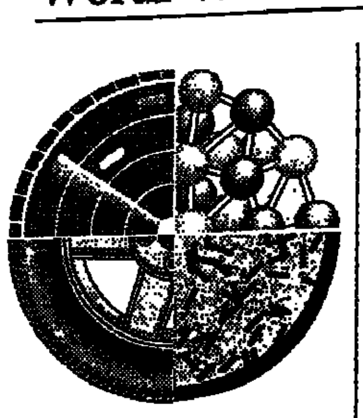
Michele Verroken says one of the main priorities is to close the loopholes in drug-testing procedures. Such loopholes have allowed competitors, such as Krabbe, to escape a four-year ban on a technicality.

Admittedly, testing is expensive. In the UK alone, the doping control programme cost more than £700,000 last year, a 60 per cent increase on the amount in 1988, the last Olympic year.

But doping costs more than money. The athletes who use drugs risk more than ban. They risk their lives. The West German heptathlete, Birgit Dressel, received more than 400 injections as she moved from 33rd to sixth in the world rankings. It took three days for her to die from toxic poisoning from the cocktail of drugs inside her body.

Drugs hurt not only competitors but sport, too. Drug abuse is only likely to disappear when society and sponsors place less emphasis on winning. And that is only likely to occur when the public kicks its own addiction to sport.

Worth Watching · Paul Taylor



Airport X-rays put spotlight on crime

X-RAY machines used at airports for screening luggage are sophisticated but the video images which they produce are often so unclear that operators have difficulty interpreting them.

A new imaging system developed by a team at Nottingham Polytechnic, called SecureScan, uses computer image-processing techniques to enhance the X-ray picture. This enables the operator to see into black areas which might conceal a weapon and into light areas where drugs or explosives, including Semtex, might be hidden.

Because the £12,000 system bolts on to existing airport X-ray equipment, rather than replacing it, it is relatively cheap and quick to install. The Nottingham team developed the system on behalf of the UK Customs and Excise authorities. Nottingham Polytechnic: UK, 0602 486491.

System takes a fix on delays

A new type of airport radar system called a Precision Runway Monitor (PRM), developed by Allied-Signal of the US, could help reduce delays caused by bad weather by permitting aircraft to continue to land simultaneously on closely spaced runways.

PRM allows aircraft separation to be reduced safely because it provides increased accuracy and more frequent position updates by using electronic scan secondary surveillance radar. Allied-Signal's PRM uses electronic scanning to provide controllers with position updates twice a second, or 10 times faster than conventional radar.

Allied-Signal Aerospace: US, 310 512 1656.

Greasing the wheels of industry

Money may make the world go round, but it is grease that helps machine bearings turn. Conventional low-friction enhancers like graphite have long been used as lubricants, but they form layers of uncontrolled thickness and provide only temporary protection.

Instead, an innovative lubricating grease called Micro Mu2 changes the surface structure of metal by bonding a low-friction film just one molecule thick on to it. The film permanently reduces wear in metal bearings and enables them to run at higher loads, speeds and temperatures. The result is longer machine life, reduced maintenance costs, higher productivity and lower energy consumption.

Micro Mu2, developed by James Walker, the Surrey-based lubrication specialist, comprises a hydrocarbon surface modifier carried in a multi-purpose lithium-complex synthetic grease. Independent tests show that it reduces friction by 35 per cent over conventional lithium grease. James Walker: UK, 0483 757575.

Soft water scales new heights

Hard water containing high concentrations of calcium bicarbonate can lead to a build-up of calcium scale in household plumbing and water heating equipment, reducing pipe diameters and lowering the efficiency of hot water appliances and central heating systems.

Most conventional water-softening treatments rely on adding chemicals but can create other problems by changing the chemical composition of the water and making it too soft. Now a French company called Rauh has developed a novel way to prevent scaling without using chemicals.

The Twin Master system uses electrical fields and magnetic or electro-magnetic impulses to prevent scaling. It helps to create free-moving calcium crystals that simply wash out of the tap.

The company claims that the water retains its valuable mineral salts but costs less to heat and prolongs the life of household appliances and plumbing. Rauh: France, 47 09 36 72.

FT LAW REPORTS

Ship's post-bail arrest valid

THE PRINSENGRACHT
Queen's Bench Division
(Admiralty Court):
Mr Justice Sheen:
July 15 1992.

OWNERS OF a ship against which a writ *in rem* has been issued submit to the court's Admiralty jurisdiction if, before the writ is served, they voluntarily give bail for the purpose of avoiding the ship's arrest. And a subsequent arrest despite bail is valid if it was not vexatious or oppressive in that the plaintiffs believed it to be necessary to preserve the jurisdiction.

Mr Justice Sheen so held when dismissing an application by the defendant owners of Prinsengracht, to set aside the arrest of the ship by the plaintiff cargo-owners.

HIS LORDSHIP said a writ *in rem* was issued by the cargo-owners against Prinsengracht on April 15 1991.

It could not be served that year because she did not come within the jurisdiction.

In January 1992 it was anticipated that Prinsengracht would enter an English port.

On January 28 Clyde & Co, the cargo-owners' solicitors, wrote to Holmes Hardingham, solicitors for the shipowners, requesting security for the claim in the hope that the need to detain the vessel could be avoided. They enclosed a draft letter of undertaking for the shipowners' agreement, confirming that they agreed that claims should be subject to English law and to the exclusive jurisdiction of the High Court.

Holmes Hardingham responded by notifying Clyde & Co that a bail bond had been provided by the London Steamship Owners' Mutual Insurance Association.

By that bail bond the Association submitted to the jurisdiction of the court, and consented to execution if the shipowners failed to pay any sum adjudged against them.

On January 29 Holmes Hardingham, without waiting for the writ to be served on the ship, acknowledged issue on behalf of the shipowners.

If the shipowners wished to take part in the proceedings, they were entitled to do so by virtue of Order 75 rule 3(b) of the Rules of the Supreme Court. The rule provided that a defendant to an action *in rem* in which the writ had not been served "may, if he desires to take part in the proceedings, acknowledge the issue of the writ ...".

There was nothing new in a defendant waiving the necessity of service. He could enter an appearance as soon as he heard the writ had been issued, although it had not been served.

At about 10.45am on January 29, an assistant solicitor for the shipowners attended the Admiralty and Commercial Registry with a bail bond in the correct form, and it was accepted for filing.

The next person at the counter was a clerk from Clyde & Co, with the documents necessary to effect an arrest.

The Admiralty Marshal phoned Clyde & Co and asked if they wished to go ahead with the arrest despite the fact that a bail bond had been filed. They said yes. At 11.10am, the Marshal phoned HM Customs at Immingham. Prinsengracht was arrested at 11.40am.

Mr Teare for the shipowners acknowledged that if Clyde & Co had reached the Admiralty Registry before Holmes Hardingham, the court would have had jurisdiction.

He submitted that if a ship was arrested and then released a few minutes later when bail was given, the court had jurisdiction; but if bail was lodged a few minutes before arrest, the court did not have jurisdiction.

He said that followed from the Court of Appeal decision in *the Deichland [1990] QB 361.*

Mr Kendrick for the cargo-owners contended that the shipowners had voluntarily submitted to the jurisdiction, and that the cargo-owners had shown good and sufficient reason for the arrest even though a bail bond was given.

The first question was whether the shipowners had voluntarily submitted to the jurisdiction.

The writ was a writ *in rem* addressed to the owners and/or demise charterers of Prinsengracht. The claim was within the High Court's Admiralty jurisdiction.

An opportunity to serve that writ might never have arisen. The shipowners took the voluntary step of acknowledging issue of the writ.

They thereby became party to the action which, from that moment, became *in personam* as well as *in rem*.

By acknowledging issue of the writ, the shipowners voluntarily submitted to the jurisdiction because they "desired to take part in the proceedings".

Their voluntary act in acknowledging issue of the writ at a time when no action by them was called for because the writ had not been served, was the clearest submission to the jurisdiction.

The next question was as to the nature of bail. *D.R. Thomas on Maritime Liens, p.228* said bail was not a guarantee to the plaintiff, but an undertaking to the court, and might therefore only be given following appearance in the action. It said it followed that "where bail is provided there is on the part of the *res* owner a concurrent submission of his personal liability beyond the value of the *res*".

That statement was adopted. It accorded with what had always been the practice of the court, and was reflected in RSC Order 75 rule 6 which provided that a person entering a caveat against arrest must acknowledge service and give bail or pay into court.

In *the Deichland* the shipowners' club had given a letter of guarantee but had not agreed to submit to the jurisdiction. The ship had been served but not arrested.

The court held that the jurisdiction given to it by Article 7 of the 1952 Arrest Convention was only preserved by Article 57 of the 1968 Jurisdiction and Judgments Convention as relating to a "particular matter", if there was an arrest. But that did not rule out jurisdiction by express agreement (see *the Deichland, 385 G*) or by submission to the jurisdiction (*382 H*).

Contractual security might be given without submitting or agreeing to submit to the jurisdiction, as in *the Deichland*.

But bail could not be given without submitting to the jurisdiction.

There was no reference to that in *the Deichland* because it was not relevant.

It would be absurd and it would bring the law into disrepute if a defendant could procure a bail bond in which there was a solemn undertaking to satisfy judgment, and then say to the plaintiff "you cannot obtain judgment because you cannot arrest my ship and I have not submitted to the jurisdiction".

That was not the effect of the decision in *the Deichland*.

The shipowners, by acknowledging issue of the writ, had shown their desire to take part in the proceedings. They were free to do so. They had submitted to the jurisdiction and the motion must fail.

In case a higher court held that the shipowners had not submitted to the jurisdiction, the next question was whether the arrest was valid.

Mr Teare submitted that on provision of bail the ship was released from the action and could not be arrested. He relied on Dr Lushington's judgment in *The Wild Ranger (1863) Br and L 84,87* – "bail given for a ship in any action is a substitute for the ship".

It was held in *the Arctic Star, February 1985, CA* that the rule that bail represented the ship and that she should be free from further arrest on the same claim, was viewed in the light of whether it was oppressive and vexatious to re-arrest.

In the present case there had only been one arrest, which lasted less than a day.

It was not vexatious or oppressive. The ship was arrested solely because the shipowners declined to agree expressly to submit to the jurisdiction, and because it was thought *the Deichland* decision might have made it necessary to arrest her though bail had been given.

In looking after the cargo-owners' interests, it was natural for Clyde & Co to make sure they did everything necessary. If arrest was necessary to preserve the jurisdiction, it could not be wrongful.

If contrary to the court's view bail could be given without submitting to the jurisdiction, and it remained necessary for the cargo-owners to arrest the ship, that arrest could not be unlawful.

The motion was dismissed.

For the cargo-owners: Dominic Kendrick (Clyde & Co).

For the shipowners: Nigel Teare QC and Simon Kverndal (Holmes Hardingham).

Rachel Davies
Barrister

PEOPLE

Jones to find business for Swedish market

Lynton Jones, the former diplomat who founded the London outpost of Nasdaq, the US over-the-counter market, is on the move again. He has been appointed chief executive of OM London, the UK arm of Sweden's fast-growing electronic options and futures exchange.

Olof Stenhammar, who founded OM seven years ago on his return from Chicago's trading pits, is keen to increase the amount of international business done through OM London which, along with OM Stockholm, operates as an exchange and clearing operation.

The London operation has been hard hit by the recent abolition of Swedish turnover taxes which meant that roughly 40 per cent of OM London's volume has moved back to Sweden.

Jones, 47, who was head of public affairs at the London Stock Exchange before he joined Nasdaq, has been given the job of finding new business.

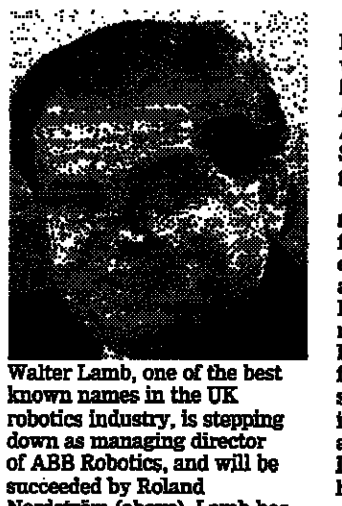
OM London, which has a staff of over 20, lists options and futures contracts on Swedish stocks as well as the Swedish OMX stock market index. A separate clearing service is offered for interbank trading in interest rate futures and in options and futures on the LDCx-index.

However, Jones' appointment suggests that OM is keen to broaden its base. There is nothing, for instance, to stop it launching new products which will compete with those on more established exchanges.

As a private sector operation – OM's shares are quoted on the Swedish stock exchange – OM is able to make decisions about new products far more quickly than some of its more bureaucratic competitors.

However, it is coming close to outgrowing its Swedish domestic market and needs to develop new areas of business if it is to sustain its growth.

In his last annual report Stenhammar says that OM's international operations are "naturally not without risks" but notes that, "if we succeed, we can create something really big".



Walter Lamb, one of the best known names in the UK robotics industry, is stepping down as managing director of ABB Robotics, and will be succeeded by Roland Nordström (above). Lamb has held a number of senior posts at ABB Robotics since he joined the company in 1979, and will continue in an advisory role before taking early retirement in March.

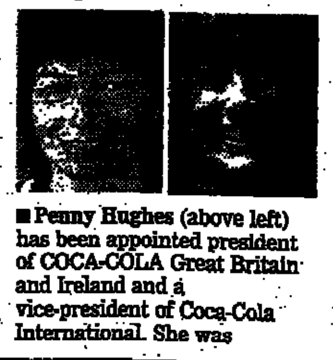
Nordström, a Swede, also has extensive experience, and was most recently responsible for business development at ABB Robotics International. ABB Robotics is part of the Swiss-Swedish engineering group Asea Brown Boveri.

■ Hamish Donaldson, the former Hill Samuel chief executive who quit a year ago after the bank made heavy losses, has been appointed a non-executive director of London Bridge Finance, a former Hill Samuel subsidiary specialising in credit insurance coverage. The appointment is the first Donaldson has taken since he left Hill Samuel.

London Bridge Finance, which was bought from Hill Samuel by COBAC of Belgium earlier this year, says that Donaldson will play a more proactive role than is usually expected of non-executives.

William Fulton, former chief executive of Lesney Corporation and managing director of Avesco, is also joining the London Bridge Finance board, along with Campbell Dunford, chairman of Trade Aide Financial Services, both as non-executives.

Peter Handley, previously a director of Trade Indemnity, has been appointed general manager.



■ Penny Hughes (above left) has been appointed president of COCA-COLA Great Britain and Ireland and a vice-president of Coca-Cola International. She was previously commercial director of Coca-Cola & Schweppes Beverages.

■ Doreen Boulding (below right), who has been general manager of Belgravia Sheraton and the Halkin Hotel, has been appointed general manager of the Conrad Hotel in Chelsea Harbour, part of the international subsidiary of HILTON HOTELS.

■ Graham Dunn, finance director, has been appointed md of the OLIVER GROUP and John Chapman, services director, becomes retail operations director.

■ Kenneth Wilson, formerly president and ceo of Cardis Corporation, has been appointed president and ceo of GKN PARTS INDUSTRIES Corporation, based in Memphis, Tennessee.

■ Gerald Hammond, a former works director with GKN, has been appointed md of BAUER & SCHAURTE.

Stevenson takes on Takeovers

Dennis Stevenson, the violin-playing chairman of consultants SRU, continues to climb the establishment ladder. The Governor of the Bank of England has appointed him to be an independent member of the City Panel on Takeovers and Mergers.

Stevenson, 47, who founded the Specialist Research Unit in 1972, is perhaps less well known than one of SRU's other co-founders, Peter Wallis, the sociologist who invented the Sloane Ranger tag. However, of SRU's three founding partners – the other is Colin Fisher – Stevenson is credited with having the best access to the boardrooms of SRU's blue chip clients. SRU, a market research-based strategic consultancy, employs 45 staff.

Apart from being chairman of the Trustees of the Tate Gallery, Stevenson sits on several boards, including Pearson (owner of the FT), Manpower Inc, Thames Television and J Rothschild Assurance. As a non-executive director he is probably best remembered for standing up to Tony Berry, the founder of Blue Arrow, during the infamous Blue Arrow affair.

Stevenson, who was just 26 when he was given his first public job – the chairmanship of The Peterlee and Aycliffe New Town Development Corporation – replaces Sir Austin Pearce on the Takeover Panel. Sir Adrian Cadbury and Professor Robert Jack are the two other lay members of the Panel and the Bank of England says that his appointment will reinforce the industrial representation on the Panel.

Ballet

Alvin Ailey Dance Company

Clement Crisp

AFTER 30 years *Revelations* is still there. When we first saw the Alvin Ailey Dance Company in the Sixties, *Revelations* won our hearts. Ailey's response to the spirituals which are his musical text, to the radiant faith and urgent doubts of black religious experience, had – and still has – a stunning directness.

The arms raised to the sky in supplication or joy; the sense of delight combined with reverence in the scenes of baptism, as white-clad figures wade through the waters; the contrast, as the work ends, between an awareness of sin and the gospel fervour of a congregation of women with their floppy hats, palm fans and long yellow dresses, are unerringly aimed at our emotions, and unerringly touch them.

It is dance reaching out to its public on the most basic, and most artful, terms. But for all its stylistic polish and theatrical *astuteness – every cliché* brightly burnished – it speaks profoundly about black America's faith. And it remains central to what Ailey sought in his American Dance Theatre, in giving the broadest expression to popular dance and a people's identity.

Returned to London after 17 years, with a new generation of dancers (and with Ailey's star, Judith Jamison, as director) the company knows it is still loved here.

It responded in its opening programme, which I saw on Wednesday at the Coliseum, with that open-hearted, physically eager manner we have always associated with Ailey's artists.

How good to see Dudley Williams, the company's senior *principal*, masterly as ever in his control of "I want to be ready" in *Revelations*, his body tautly responsive to the song's *plea for redemption*.

How good, too, to find three men – Dwight Roden, Desmond Richardson, Troy Powell – *able to fly with the* best through "Sinner Man" in this same work, movement given a whip-lash sharpness and speed.

Technically, the company looks fine, frank in its delight in performing *Revelations*. Would that the other pieces in this first programme offered the dancers any sort of artistic challenge, other than that of selling them to a receptive audience.

Donald McKayle's *District Storyville*, which dates from 1962, purports to deal with the emergence of jazz from New Orleans' bordellos and funeral music.

It amounts to a sequence of scenes that are no more than garish post-cards. Mourners strut; tarts flaunt; a bed serves as a trampoline for lovers, and we see a few desultory bumps and grinds, those hallowed gyrations of burlesque strippers. It is superficial, superficially busy, and, I would have thought, far too patronising in its pursuit of quaintness.

Everyone works very hard, not least the London Gala Orchestra which has a high old time with a raucous score. Marilyn Banks, as one of the soiled doves in the bordello, has the smile and the zippy grace of Josephine Baker, and is adorable.

The remaining piece is Donald Byrd's recent *Dance at the Gym*. Four girls and four boys meet,and finally unite, to a tiresome and clanking accompaniment.

The movement proposes an artificial sexiness, and the dancers are trapped in unenterprising routines that have little dramatic or emotional power; not even the Ailey dancers' skills can make it seem anything more than an expense of spirit in a waste of shame.

Happily, there is *Revelations* to follow, and the company thereby reasserts its identity.

The Alvin Ailey American Dance Theatre is at the London Coliseum, (071) 240 5248, until August 1. Programme changes on Monday July 27.

Furniture/**Susan Moore**

English wood, isn't it good?

THERE is something heartbreaking about works of art that exhibit a rare feeling for materials, are meticulously designed and superbly crafted, but which are, nonetheless, ugly.

That fate is particularly cruel for much of the furniture *produced by John Makepeace*, for Makepeace is not only a virtuoso craftsman but a visionary. He has made a significant contribution to perpetuating the arts and crafts tradition in Britain and to developing the neglected resources of native woodlands.

In 1976, Makepeace bought Parnham, an idyllic but delapidated Elizabethan manor house in Dorset. It gave him space in which to set up alongside his own well-established workshop a much-needed residential school for craftsmen in wood.

The school's two-year *courses provide practical* instruction in craft and design skills and essential business management for those wishing *to set up their own furniture* workshops. Moreover, Parnham's restored interiors allowed him the opportunity of proving – as the Italians had already demonstrated – that the finest contemporary work could look well in a traditional setting.

The Parnham Trust, the educational charity established to administer the school, embarked on a second pioneering venture in 1983, purchasing 350 acres of neglected woodland from the Forestry Commission at nearby Hooke Park.

Hooke Park College, which is funded by private enterprise, *took its first students* three years ago. Here the aim is to develop techniques for the efficient use of indigenous, sustainable and *renewable* resources of timber in the production of anything from furniture and artefacts to buildings and bridges. It is training a new generation of entrepreneurs to turn principles into practice, and to regenerate the rural economy.

The college building itself is a light and ingenious construction using forestry products which are normally wasted – notably roundwood thinnings which represent up to 50 per cent of a forest's annual crop. At present, 90 per cent of all *wood products in this country* are imported – to the tune of some £7bn a year. It is projected that over the next decade, 375,000 acres of under-exploited British forestry will become redundant.

This year marks the 30th anniversary of the founding of the John Makepeace Workshop, and 15 years of The Parnham Trust and Parnham College.

To celebrate, Sotheby's in London is playing host to an exhibition which is at once a retrospective of Makepeace commissions and prototypes, a showcase for both Parnham alumni and the class of '92, and an introduction to the work of Hooke Park.

It is unfortunate that the *first Makepeace exhibit* we encounter is the recent "Erudition" chair with raised book-rests at the end of each arm. Made out of yew-wood, burr elm and leather, it looks squat, heavy and decidedly not user-friendly.

The second piece is the hefty "Liberty" dining table with its oak-shaped leaves and supports like tree trunks, surrounded by a suite of ill-proportioned turned chairs.

Almost everything else here reflects far more favourably on Makepeace's formal inventiveness and imaginative use – and treatment – of wood.

Many items exult in the sheer beauty of their materials. There is the glorious slab of *burr elm used for the dining* table designed for the late Robert Bolt's medieval manor house.

Burr oak and elm weathered like stone are employed for an altar-like serving and storage unit for a Cyprus house. We find oak ferrous-washed and polished with a lime wax to interesting effect, or overlapping oysters of mulberry, gilded beneath.

There are arresting combinations too. The "Mitre" chair, with its clean, sinuous Gothic-inspired lines, is a remarkable piece of 20th century design, and a technical tour-de-force of intractable macassar ebony. Its back and seat are made not of woven cane but of nickel silver.

Another covetable but more rustic piece is a kitchen chair of pale, scrubbed oak with a seat of beaten and softly reflecting polished aluminium.

The 30 exhibits are impressive witness to the exacting standards of the Makepeace workshop. It seems unlikely that such care, intelligence and attention to detail were ever lavished on the construction – rather than the decoration – of furniture before this century. Even the grandest of antiques cannot boast the degree of finish of, say, the "Bangkok" collectors' cabinet combining satinwood, lacquer and velvet, its draws gliding open and close.

On the evidence of work here, *the school must be con*gratulated not only for maintaining high standards but for allowing students to speak with their own voices. The range of interests here is striking. Particularly pleasing are the form and textures of Paul Gower's shot-blasted Douglas fir and patinated copper chest, Suzanne Watson's cheery multi-coloured hatboxes – a must for quality freaks – at £78, and Robert Cullen's low table.

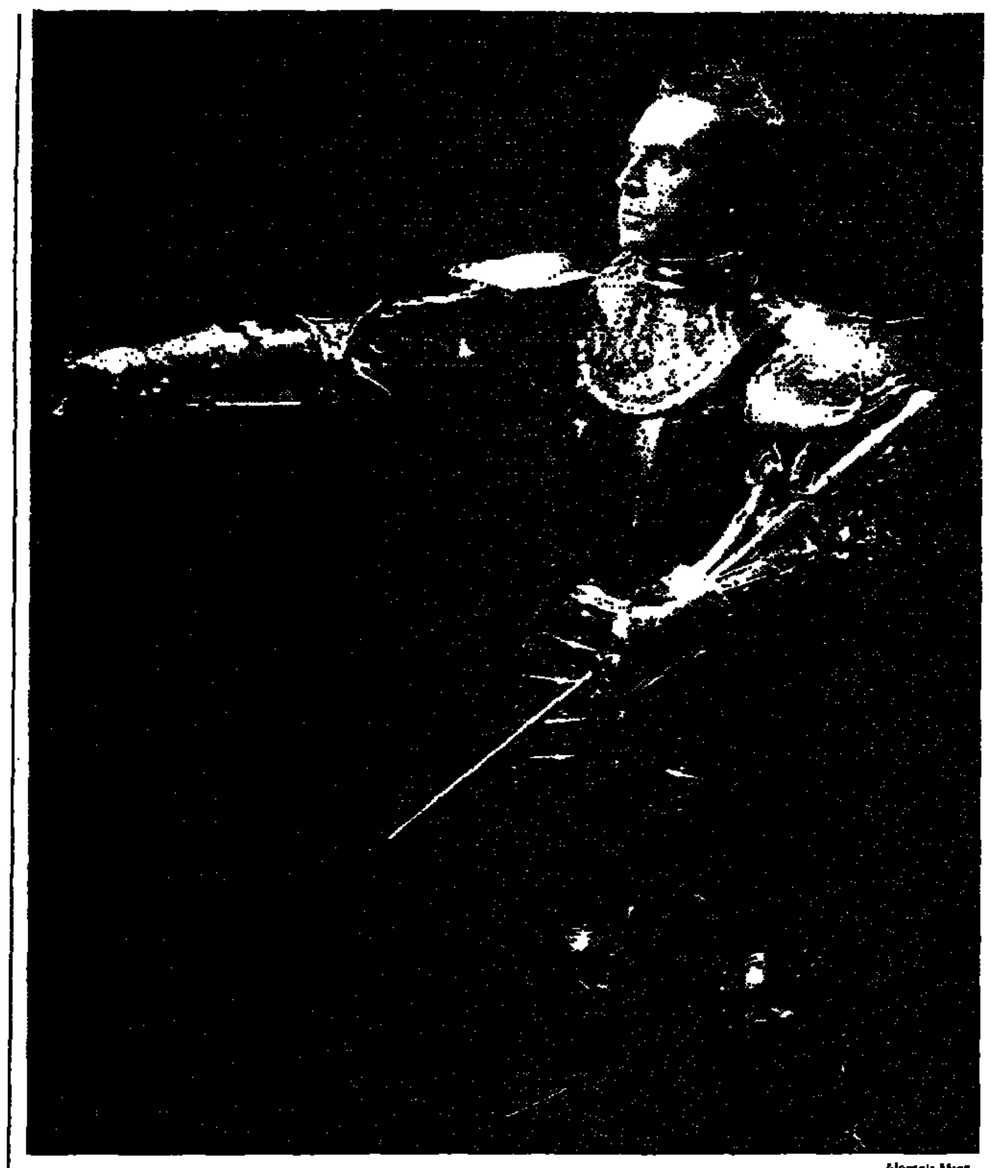
Glass marbles are supported between the latter's waving bands of thin oak, which casts interesting shadows as well as providing a surface surprisingly flat enough to carry all but the smallest glasses. Ben Brooks similarly exploits the rippling lines of thin bent wood, and plays visual tricks with planes of American cherry in his sculptural "Paradox" table.

It seems that they all might have been boat builders. Petter Southall, formerly of Hooke Park College, certainly was. The fluid lines and thoughtful construction of his dining table and chairs place them among the most impressive exhibits in the show.

Nine makers represent Parnham alumni. Their work ranges from the cutlery canteen in the form of Charterhouse Chapel, made for an old boy out of his own yew – price guide £20,000 – to wall-mounted coat hooks in anodysed aluminium at £34.

John Makepiece's Ziggurat table in scrubbed English oak

Sotheby's, New Bond Street, W1, until July 28. Parnham House, Beaminster, *Dorset, is open on* Wednesdays, Sundays and Bank Holidays until October.



Alastair Muir

Jonathan Hyde in the title role: an unspeakable part in an unspeakable play

Royal Shakespeare Company, Barbican

Columbus

AS the song has it: "They *all laughed at* Christopher Columbus when he said the world was round... They all laughed at Wilbur and his brother when they said that man could fly". There are very few laughs in Richard Nelson's play *Columbus* at the Barbican. Very few thrills either. Nothing indeed but encircling gloom, which lasts for 3½ hours. Has the Royal Shakespeare Company really thought about what it is doing?

Nelson is an American play*wright who has written for the* RSC before. Some people will remember his *Two Shakespearean Actors*. His *Columbus*, performed on the main Barbican stage, is a disaster. We should be clear why.

No one is going reasonably to object about whether his version is historically accurate. After all, there is poetic licence. The only test is whether it stands up as a play. I can think of no single criterion on which it does – certainly not on this stage and at *this length*.

The Nelson thesis is that Columbus was a snob and a creep. Possibly he was, though it would help to explore the theme, not just proclaim it. This Columbus is first seen getting out of bed with his mistress who appears washing her legs.

As Columbus is promoted in the hierarchy, he drops the mistress because, he says, it would not do for a member of the nobility to consort with a peasant. His characterisation as totally obnoxious continues throughout. Columbus is nasty to anyone who ever helped him.

There are no compensations. The language is appallingly stilted. When Columbus says he is the Admiral of the Ocean Sea, he might as well be mimicking a line from Gilbert and Sullivan about the Queen's Navee. There is a sequence about a pornographic dream which ends with a touch of Brighton pier: "We won't have beans for supper again," and some tougher garbage about defecating at sea.

Even in the supposedly more serious parts, the language fails to take off. When there is near-mutiny in the fleet about Columbus's lack of leadership, someone remarks: "I had hoped that we could settle this with some dignity." When they pass a volcano, Columbus comments: "I saw the volcano in Sicily when it erupted. It went on for days. You could read by the light."

The sets, and this is a remarkable comment on the Barbican of all places, are almost uniformly dreadful. Signs go up periodically to indicate the changes in time: for instance, "just off the Canaries, late August 1492", then again "later". It looks like Euston station. The officers in their cabins look like amateur sailors on a day out off Essex.

It is not remotely funny, or indeed particularly relevant, that Columbus thinks he is going to Japan. The only part that develops is that of Pulgar, a once wealthy landowner who is reduced to becoming Columbus's secretary. It is well played by Philip Voss.

It would be unfair to criticise Jonathan Hyde as Columbus; it is just an unspeakable part in an unspeakable play. Jane Gurnett *as the mistress* has the misfortune (or perhaps the good luck) of disappearing early on.

Does all this matter? Yes. Here is the RSC using some of the same stage devices it deploys so gloriously in *Henry IV*, and throwing them away on such a text. It is a terrible come-down. The best thing to do about John Caird's production is to forget it.

Malcolm Rutherford

In repertory at the Barbican Theatre (071) 638 8891

London Promenade concerts

Double bill

WEDNESDAY brought the first of several double Proms this *season: a whole concert at* 7pm, and another, shorter one at 10pm. For what will almost inevitably be smaller audiences, and usually smaller-scale music, *the BBC decision to* keep the second concerts in the Albert Hall this year instead of planting them in modest venues nearby may be debatable; but the late all-Villa-Lobos programme by the Lontano ensemble sounded terrific.

Their effervescent conductor, Odaline de la Martinez, must find an excuse to give it again during the winter. In five contrasting works, it displayed the composer at his reckless, engaging best – and Lontano too, and the BBC Singers who appeared with them, and Anne Dawson's lovely soprano. To her, of course, went the evergreen *Bachianas Brasileiras* no. 5 (the one with the haunting vocalise over eight cellos).

Miss Dawson was not only ravishing in the first movement, but – with canny *assistance from de la Martinez – made* subtler sense of its tricky successor than we usually hear. The BBC Singers boldly essayed the original version of *Bachianas Brasileiras* no. 9 ("for orchestra of *voices"), and brought it off with awe*somely secure pitch.

They also joined the shivaree of Villa-Lobos's early Nonet: a tongue-in-cheek *label, for the nominal nine players are* supported – nay, *crowded* – by the substantial chorus and 18 percussion instruments, many of them exotic. The young composer threw everything into the pot, and called it "A rapid impression of the whole of Brazil". New to me was his still earlier Quartet for harp, celesta, flute and alto sax – *and* female chorus to show how much he admired Debussy's *Sirènes*.

Ravel looms even larger, and yet the piece fairly tingles with pungent Villa-Lobos ideas. Just afterwards came his *Chôros* no. 7, an irresistible serenade for septet (plus a secret tam-tam, which booms gently and magically through the penultimate verse). Lontano executed it more or less perfectly. I should love to hear the whole programme again – espe*cially if the BBC could be persuaded to* round it off with the choral *Chôros* no. 10.

The earlier concert found Yan Pascal Tortelier also in full, stylish command of his scores. Though he became Principal *Conductor of the BBC* Philharmonic only last month, they played devotedly for him. Ravel's *La Valse* was adorned with all the delicately decadent touches that *"international" bands miss when they go* through the piece like locomotives: soulful swoons from solo strings, wicked woodwind gurgles.

Nothing was forced; nor in Dutilleux's cello concerto *"Tout un monde lointain..."* either, where the marvellous Redon-like orchestral colouring seemed to well up as naturally as Tim Hugh's lyrical phrases in the solo role. (His aplomb survived a broken string at a particularly awkward point.)

The old Saint-Saëns' warhorse, the "Organ" Symphony which has long been a Prom standby, boasted a poco adagio of great sweetness without saccharine. Tortelier allowed no trace of vulgarity *anywhere*, however, and toward the end of the Finale I began to doubt whether excluding cheap thrills was altogether wise.

David Murray

INTERNATIONAL ARTS GUIDE

This year's Edinburgh Festival (August 16 to September 5) is the first to be organised by Brian McMaster, former director of Welsh National Opera. He has divided the programme into four main seasons, two of them showcasing Scots culture. The more ambitious is the programme entitled Scottish Music Through the Centuries, *which in five concerts* runs from 8th century Celtic chants to the premiere of James MacMillan's Percussion Concerto, played by *Evelyn Glennie. No less* welcome is a retrospective of seven plays by Glasgow playwright C P Taylor, who died eleven years ago. The *highlight* is Taylor's last and finest play, Good.

McMaster offers a similar retrospective of Harley Granville Barker (1877-1946), perhaps the most important figure in the renaissance of *English drama* in the 1900s. William Gaskill directs Granville Barker's best-known work, The Voysey Inheritance, *and there will also* be a production of a previously unstaged play, His Majesty.

The main music season is a vast Tchaikovsky retrospective: no stagings of the major operas but plenty of interesting rarities to balance out the popular orchestral works. Joan Rodgers and Dmitri Hvorostovsky will sing Tchaikovsky songs, Yuri Simonov conducts the Cantata Moscow, and Opera North presents its double-bill of the one-act opera Yolanta and The Nutcracker, the designs for which (by Howard Hodgkin) will be displayed at the Scottish Gallery of Modern Art. Another double-bill offers Swedish soprano Elisabeth Soderstrom singing Poulenc's La Voix humaine, and Claudio Desderi in Cimarosa's Il Maestro di Capella. Soderstrom can also be caught in a cabaret programme at the Lyceum.

The dance programme includes the British premiere of the Mark Morris Dance Group (with an interpretation of Purcell's Dido and Aeneas), a return visit from Ballet Cristina Hoyos and Pina Bausch's Tanztheater Wuppertal.

Edinburgh's galleries have *organised retrospectives of* James Pryde (1866-1941) and Allan Ramsay (court painter to George II), a collection of Miro sculptures and the exhibition Dutch Art and Scotland.

Telephone bookings can be made on 031-225 5756. There is a 24-hour information service for callers within Britain on 0891 600 304. Festival Fringe (Aug *16-Sep 5): 031-226 5257. Military* Tattoo (Aug 7-29): 031-225 1188. International Film Festival (Aug 15-30): 031-228 4051.

■ EXHIBITIONS GUIDE

■ AMSTERDAM

Stedelijk Museum The Great Utopia: the Russian Avant-Garde *1915-1932*. Ends Aug 31. Daily.
Van Gogh Museum Prints by 19th century Japanese artist Yoshitoshi. Ends June 28. *Masters from the Mesdag* Collection: 60 works from the Hague and Barbizon schools. Ends Aug 19. Daily.
Rijksmuseum The Influence of Japan on Dutch Art. Ends July 26. Closed Mon.
Historical Museum Distant worlds made tangible: Dutch collections 1585-1735. Until Oct 11.

■ BERLIN

Haus der Kulturen der Welt Civilisation of ancient Peru: 400 objects covering 3000 years. The development of Peruvian art before the arrival of Europeans. Ends Aug 30. Closed Mon.
Antikensammlung The Fame of the Pantheon: 100 engravings *and etchings of Rome's great* architectural monument, showing how its colossal and mystical features have fascinated and influenced artists and architects over the centuries. Ends Aug 16. Closed Fri.

■ DUISBURG

Wilhelm-Lehmbruck-Museum Degenerate Sculpture: an exhibition devoted to sculptors who suffered from Nazi persecution. Ends Aug 9. Closed Mon.

■ DUSSELDORF

Kunstsammlung Nordrhein-Westfalen Constructivist International 1922-27: more than 120 paintings, sculptures and designs which were first exhibited in Dusseldorf in the 1920s by European artists with utopian and revolutionary ideals. Ends Aug 23. Closed Mon.

■ GIVERNY

Musee Americain Lasting Impressions: American painters in France 1865-1915. An inaugural exhibition of 90 canvasses by 40 painters, celebrating the influence which the French Impressionists had on the colony of visiting American artists, captivated by Monet's fame and the landscape *and light of Giverny (70 km from* Paris). Ends Nov 1. Closed Mon (99 rue Claude Monet, Giverny, 27620 Gasny, tel 3251 9465).

■ NANCY

Musee des Beaux-Arts Art in Lorraine at the time of Jacques Callot, celebrating the 400th anniversary of the birth of the great etcher from Nancy. Ends Sep 15. Closed Tue.

■ NEW YORK

Guggenheim Museum The Guggenheim and the art of this century. Ends Aug 27. Closed Thu.
Metropolitan Museum of Art The Art of Islamic Spain. Ends Sep 27. Closed Mon.
Museum of Modern Art Louis I Kahn, celebrated American architect. Ends Aug 18. Closed Wed.
Whitney Museum of American Art The Paintings of George Bellows (1882-1925): more than 60 works by an artist who captured the vitality of American life at the turn of the century. Ends Aug 30. Closed Mon.

■ PARIS

Parc de Bagatelle Henry Moore: 27 large bronze sculptures placed in the kind of open-air landscape for which they were intended. Ends Oct 4 (Bois de Boulogne).
Musee Guimet From the Tagus River to the Chinese Sea: a Portuguese maritime epic, with ceramics, porcelains and gold brocade bringing back the magic of Portuguese commercial links with the East Indies from 1513 *onwards. Ends Aug 31. Closed* Tue (6 place d'Iena).
Centre Georges Pompidou Manifeste: 7000 square metres given over to a multi-faceted exhibition covering the past 30 years of creativity in visual arts, video, cinema, architecture and design. Closed Tue.

■ ROME

Trajan's Markets Anthony Caro: 38 large-scale works from all stages of the British sculptor's career, displayed in the remarkable context of Imperial Roman architecture. Ends Aug 20.

■ VENICE

Doge's Palace Hieronymous Bosch: an exhibition marking the restoration of the city's collection of Bosch paintings, including the Saint Liberata triptych, Paradise and The Assumption of the Blessed, plus works by Metsys and Flemish paintings by Dieric Bouts. Ends Aug 10.
Museo Correr Canova sculptures and the Farsetti Collection from the Hermitage. Ends Sep 30.

■ VERONA

Palazzo Forti Paul Klee: 300 works from all periods of his career. Ends Oct 2.

■ VIENNA

Kunstforum Poster Art from Toulouse Lautrec to Art Deco: *a study of the development of* poster art from its origins around 1890 to the works produced in the 1920s, proving that posters have aroused a sense of scandal from their earliest days. Among the 120 posters on show are examples by Klimt, Schiele, Kokoschka, Kandinsky, *Dix and* Heartfield. Ends Aug 9. Daily.
Kunstlerhaus God, Man and Pharaoh: 250 works spanning 4,000 years of ancient Egyptian sculpture. Ends Oct 4. Daily.
Schlosshof im Marchfeld The Baroque View of America in Hapsburg Lands: an exhibition showing how the European discovery of America 500 years ago stimulated the creative fantasy of court artists and craftsmen during the following two centuries. Ends Sep 13. Daily.
Naturhistorisches Museum Bear Facts: a history of the teddy bear. Ends Oct 26. Closed Tue.

■ WASHINGTON

National Gallery of Art Art of the American Indian Frontier: 150 objects produced by Woodland and Plains Indians in the 19th century. Ends Jan 24. Durer to Diebenkorn: 114 recent graphic art acquisitions, including works by Holbein, Goya, Gainsborough and Caspar David Friedrich. Also Kathe Kollwitz (1867-1945). Ends Aug 16. Ernst Ludwig Kirchner, *German expressionist painter.* Ends Aug 16. Jacques Callot: etchings and engravings by the early 17th century French *printmaker. Ends Sep 7. Daily.* Corcoran Gallery of Art Max Weber: the Cubist Decade 1910-20, featuring 64 works with emphasis on city views. Ends Aug 9. Closed Mon.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday July 24 1992

Mr Greenspan explains it all

THE FEDERAL Reserve chairman, Mr Alan Greenspan, got a sulky hearing before the Senate Banking Committee on Tuesday; the senators want to make political capital out of a sluggish US economy, and although they would like to pin the main blame on the administration, the Fed can expect no applause. It deserves some, all the same. Mr Greenspan's painstaking explanations of the problems of excessive debt are not new, but they do help to explain the obstinacy of the recession. The British government, for one, might be in much less trouble now if it had heard a similar early warning; but by the time the nature of the problem was understood here, the more obvious solutions had been complicated by entry to the ERM.

In the US, the Fed has been able to respond to the debt crisis with 23 easing actions, which helped to restore banks' profitability as well as offering large relief to mortgage debtors. "The discount rate has been cut to 3 per cent – a 29-year low," as Mr Greenspan pointed out. Despite these actions – cautiously progressive, but large in their total impact – the recovery remains shaky, and employment is especially weak. This has led some analysts close to despair: the Fed response is more measured, a matter of disappointment without much surprise, and quite optimistic about the outlook. The Fed still forecasts US economic growth next year at up to 2½ per cent, well ahead of gloomy Wall Street revisionism.

The chairman put the core problem in one familiar phrase: "Banks still have significant reluctance to lend." This prudential squeeze, which the Fed identified as a major problem right from the start of the recession, bears almost entirely on the small company sector, since all but the shakiest large corporations can profitably bypass the banks and fund themselves in the markets.

For some years now, US employment growth has depended entirely on small companies; indeed, large corporations, in the US as in the UK, are still actively planning to shed more labour. Sluggish lending to small companies thus undermines employment, and with it consumer confidence. It also stifles personal income growth: in the context of long-stagnant US real wages, income growth depends entirely on rising employment. The picture of fast-falling employment in the adjusted June figures was almost certainly a statistical oddity, but the other available evidence suggests a sideways drift at best, and possibly something a little worse.

Is there a quick fix? Senators agitate for still more interest rate cuts; so does an understandably worried Mr Bush. But such cuts, inevitably seen as transient, would hardly restore banking confidence. The Fed advocates patience – a debt workout takes time. It also advocates experiments with further bank reliefs, but admits puzzlement: "We are looking at a phenomenon that we have not seen in half a century." From London, such clear-eyed humility looks enviable.

The price of coal

BRITISH COAL deserves praise for its record profit last year of £170m. After years of cost cutting, the corporation is now one of Europe's most efficient producers, although it still cannot compete with prices on the open world market.

It is ironic that these achievements should come at a time when British Coal's future is so uncertain. The long-term coal supply contracts with electricity generators, which account for more than 80 per cent of its revenues, are up for renegotiation; for the first time they will be struck at a commercial price, rather than one dictated by the government to prop up the coal industry. With these new contracts in place, coal will be returned to the private sector. Still more pit closures are inevitable.

The government is right to want to privatise coal as part of its so far patchy strategy to allow market forces to restructure the UK's energy mix. But British Coal has a point when it argues that it is being asked to compete against other fuels whose prices are also artificially set. Nuclear power has a protected status, which may or may not be altered when the industry is reviewed in two years. Then there are the independent UK electricity generators, which will be burning gas obtained on highly favourable long-term contracts. Finally, there is the inadequately competitive structure of the electricity generating industry, where two unregulated giants may be able to crush British Coal in contract negotiations.

This is not an argument for rethinking the privatisation of coal – or even delaying it. It has to be recognised that coal is not an attractive fuel: it is difficult and dangerous to obtain and it requires a lot of cleaning to meet air quality standards. The most efficient open-cast mines are also the least environmentally friendly. Coal's main advantage is that it is plentiful, but security of supply is less of a concern than it was 10 years ago, and Britain is fortunate in having abundant alternatives.

The government should therefore focus on two points. First, it cannot avoid some interest in the coal contracts, given its importance for the size of the industry and its value at privatisation. It would be a disaster for ministers to revert to the old game of requiring a bloated price, but it would also be unsatisfactory for the generators to use their powers to drive a bargain with damaging long term consequences for consumers. The Office of Electricity Regulation should be asked, exceptionally, to produce and publish an analysis of coal's future in electricity generation, to help government and other interested parties judge the proposed deal.

Second, Britain should use its EC presidency to press actions already launched in Brussels against coal protectionism in other member states. EC coal subsidies totalled Ecu10bn (£7bn) last year. Germany is a particular culprit, as is Spain, where some mines produce coal at five times the cost of British Coal.

Absent friends

THE SUMMIT meeting in Madrid of the leaders of Spain, Portugal and Latin America is laden with symbolism, 500 years after Christopher Columbus arrived in the new world. Many of those present have good reason to celebrate, including the hosts.

In contrast with a decade ago, democracy holds sway over much of Latin America, a fact which owes an important debt to Spain's own transition from dictatorship. There have been important advances too in economic policy in Latin America which in many countries have provided a foundation for sustained economic growth. The result is a wave of euphoria about Latin America's future, notably in financial markets.

There are dangers in this change of sentiment: it fails to distinguish adequately between economies of highly variable performance, and risks ignoring some fundamental political and social questions which will have a profound effect on their future economic success.

For this reason, the absences from the Madrid gathering are also significant. The Venezuelan president, Carlos Andres Perez, who survived an army coup attempt in February, was forbidden by his legislature to attend amid a continuing crisis of political confidence. Alberto Fujimori, the Peruvian leader who usurped constitutional rule in April, was forced to remain at home as a Maoist terrorist group conducts a series of bomb strikes in the heart of Lima. The Colombian head of state, Cesar Gaviria, postponed his visit as the leader of a notorious drugs gang escaped from prison, underlining the threat posed to the state by the drug traffickers. Among those attending, Fernando Collor of Brazil is riding out a corruption scandal at home which, at least, threatens to weaken him severely for the rest of his term. And Fidel Castro, the spectre at the feast, hardly provides the kind of democratic model the creators of these Ibero American get-togethers can have had in mind.

Latin America's democracies are fragile, the institutions that support them often weak or inadequate. Guiding the reforms needed to sustain growth and deepen democracy requires a higher quality of leadership than Latin America has traditionally received from its presidents.

Whether the Madrid summit can do anything significant to further such objectives must be doubtful. Despite strengthening investment links with the region, Spain's trade ties with Latin America are as yet marginal. Where interests clash, there is no doubt, either, that Spain's priorities will lie with the EC rather than its former colonies. Nevertheless, symbols have their importance, as has the current meeting's stress on democracy and human rights. If over time such gatherings reinforce Latin America's insertion into the world economy and into enduring membership of the community of democratic nations, then they will have their value.

Andrew Adonis says New Zealand's assault on public spending might hold some lessons for the UK

Blueprint for a shrinking state

"In general, those individuals and families with reasonable means should attend to their own needs. As a broad principle, the top third of all income earners can be expected to meet most of the cost of their social services" – Ms Ruth Richardson, New Zealand's minister of finance, December 1990.

If Mr Norman Lamont wants some relief from his post-election spending hangover, he might holiday in New Zealand, where Mr Jim Bolger's National (right-of-centre) government is engaged in one of the toughest assaults on public spending taking place in the developed world. Mr Bolger's main target is social spending, and since he started with a welfare state comparable to Britain's – completed a decade before Aneurin Bevan inaugurated the National Health Service – his progress is of particular interest to British observers.

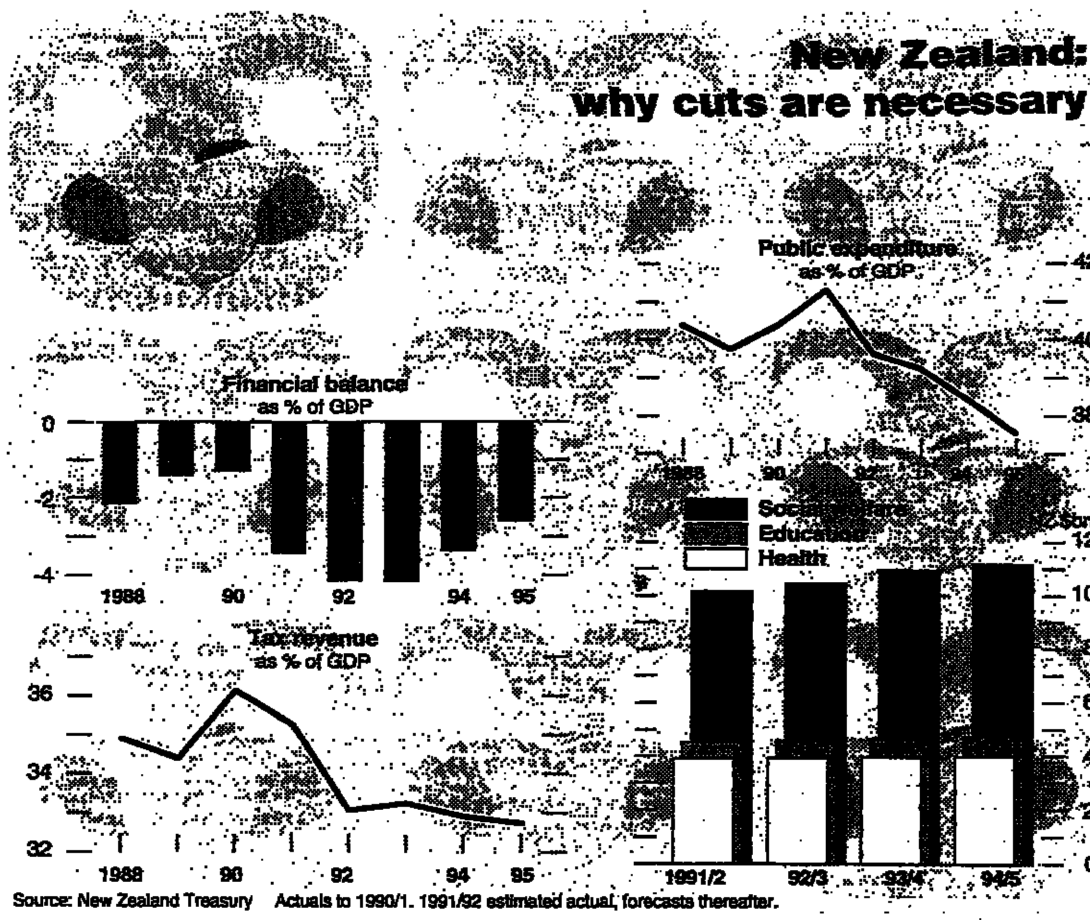
"Within weeks of taking office, we began the redesign of the welfare state," says Ms Ruth Richardson, principal architect of the reforms. Two budgets later, universal welfare benefits are all but extinct, targeting has been widely extended in the context of reduced or fixed budgets, higher earners are paying for health and tertiary education, and market structures are under construction throughout.

It is a conscious attempt to limit the social role of the New Zealand state. Not all Ms Richardson's cabinet colleagues would subscribe to the opening quotation: several have been sniping away, with intermittent support from a prime minister by instinct far more cautious than his finance minister. But five agreed propositions underlie the changes: that the state's share of national wealth is excessive and must be reduced if the economy is to flourish; that government debt is too high; that social spending must be more narrowly targeted; that the margin between benefit rates and post-tax income is too small; and that raising extra revenue from tax is not an option. Mr Lamont would probably say "aye" to them all.

The validity of these propositions is debatable. New Zealand has a comparatively high ratio of net debt to gross domestic product: 46.5 per cent, against an OECD average of 33 per cent. But at 39.6 per cent, the share of NZ national income consumed by the state is not comparatively large; nor, at 33 per cent and 12.5 per cent respectively, are its top rates of income tax and general sales tax excessive. New Zealand has no capital gains tax. Says Mr Jonathan Boston, public policy lecturer at Victoria University, Wellington: "There is no convincing evidence to suggest that democratic countries with relatively small state sectors grow any faster than countries with relatively large state sectors."

Yet among the New Zealand elite – politicians as well as businessmen – it is virtually axiomatic that the state does consume too much and that taxes cannot be raised without stifling growth. Ms Richardson's latest budget projects public spending falling to 37.4 per cent of GDP by 1994-95 (in the UK, by contrast, it is 41.7 per cent, and projected by the Treasury to rise to 42.2 per cent by 1994-95). It is a product of New Zealand's recent past, eight years of economic stagnation, mounting debt, and a steep decline in relative living standards, creating an abiding sense of national crisis. The Labour opposition broadly accepts the premises for all its opposition to particular changes.

But accept them, and short of dramatic growth the only option is welfare cuts. No peace dividend is available: defence accounts for only 4 per cent of spending. After debt charges, three-quarters of New Zealand's budget goes on welfare and social services. The issue is not *whether* but *what* to cut.



Source: New Zealand Treasury   Actuals to 1990/1. 1991/92 estimated actual, forecasts thereafter.

New Zealand's reforms divide into two parts: structure and funding. Institutions are being restructured to devolve managerial authority, keep politicians at arm's length, and separate "purchasers" from "providers" of services. The 14 integrated area health authorities are being split into four regional health authorities, which will buy services from some 25 Crown Health Enterprises managing the hospitals. School governors are gaining control of their salary budgets, with an experiment under way in total budgetary devolution. Under the controversial Employment Contracts Act existing national contracts with teachers have been terminated, and the government wants more flexible – possibly local – contracts to replace them.

Much of that is familiar to British eyes, but in many areas change is being taken further. For secondary schools the market is already a way of life. Onslow College, Wellington, a typical secondary school, publishes company-style annual accounts and last year raised 20 per cent of its income from non-government sources. Donations – including a small "voluntary fee" charged to parents – account for some of the extra; but a sizeable chunk came from trading activities and full-cost fees charged to 18 pupils from overseas. "I am 100 per cent committed to free state education," says Mr Neale Pitches, the principal. "But it's a simple case of making ends meet."

However, the most profound changes are in funding:

● **Health.** New Zealanders have always had to pay part-charges for visits to general practitioners, but those on average and above-average incomes must now foot the full bill of about NZ$30 (£9) for such visits as well as all their dentist and optician fees and most of their prescription charges. Those on low incomes or benefits gain some – but not total – relief; so do heavy users. Charges for hospital services were introduced earlier this year for the first time. The population is divided into three groups by income, with a so-called Kiwicard introduced for identification purposes. The top third – families with an income of about NZ$32,500 (£10,000) – now pay up to NZ$50 a night for hospital visits, up to a maximum of NZ$500 a year per family. Allowing for concessions, about 20 per cent of patients will pay the charges.

The government is also working on a definition of "core health services". Only these will continue to attract public subsidy, while users will bear the full cost of such "non-core" services as cosmetic surgery. Critics estimate that once the new regime is fully operating about 23 per cent of national health spending will be met by charges – up from 11 per cent in 1980.

● **State benefits.** All universal transfer payments except the state pension have been abolished, and significant cuts in that are under way. Over the next 10 years, the age of eligibility for the pension will be raised from 60 to 65, and its payment is now targeted. The last Labour government introduced a 25 cents in the dollar surcharge – additional to income tax – for all pensioners paying income tax. That has been increased to 25 cents, making a marginal rate of 58 cents for top-rate payers.

Other benefits *have been cut* across the board. To give an idea of scale, unemployment benefit for a single person was cut by 10 per cent in cash terms last year. It is no longer payable to those aged below 18, and at reduced rates up to 25.

● **Housing.** The government intended last year to withdraw from social housing entirely, selling off much of its stock, managing the rest on a commercial basis and fulfilling social obligations through a targeted accommodation subsidy. The plan has since been modified (the new housing body is to have social obligations), but the main lines of the reform will proceed.

● **Education.** School spending is to be held constant in real terms. Total spending will rise slightly to support a 13 per cent increase in tertiary student numbers projected over the next three years, but funding for student allowances is to be reduced by about half this academic year alone by means of a large-scale shift to loans. Most students must now meet the full cost of their maintenance, and a proportion – about 12 per cent – of the cost of their fees. Higher education institutions are now allowed to charge top-up fees.

"University graduates have considerably higher income than those without qualifications," argues the Treasury. "This difference can be drawn on to pay for their education over time." It cites research showing that whereas only 44 per cent of the parents of all those between 18 and 19 years old have incomes of more than NZ$35,500, 73 per cent of parents of university students do so. The use of such figures is revealing, not just for their emphasis on the "top third", but because of the assumption that the family unit should be the basis for assessment.

If all that seems radical enough, the government initially planned to go further on all fronts, not just on housing. Last year's budget envisaged pensioners with taxable income facing a 93 per cent marginal tax rate. It also planned far narrower targeting of health spending and a "multiple funder" health care plan, under which individuals would have been encouraged to take their risk-adjusted premium out of the national health service entirely and contract with insurance companies for provision.

But the resulting storm was so severe that the changes were modified. At one point the government's poll ratings sank to 20 per cent; but with the concessions, and evidence of economic recovery, the National party is now almost level-pegging with Labour and the odds-on favourite to win next year's election. Even if it loses, Labour is unlikely to return to the status quo ante.

So are the reforms the end of Zealand's welfare state? Talk of straightforward dismantling is simplistic, for it fails to recognise the extent to which the previous system – like Britain's – already comprised fees and targeting. Charges for visits to GPs are a case in point. Mr Simon Upton, the astute health minister, uses them to argue that charges for secondary care were positively necessary to "discourage cost-shifting between different budgets, and encourage people to consider the costs and benefits of various services".

None the less, the reforms mark a fundamental reassessment. Says Mr Mark Prebble, until recently a senior Treasury official responsible for welfare policy: "The important shift is away from a commitment to income support at a level so that *recipients could 'belong and participate'* in society . . . to a modest safety net to maintain individuals in the daily essentials of food, clothing, power and housing at a decent level."

Doubtless Mr Lamont would return from Wellington convinced of the political impossibility of such notions. But should Britain, too, be in for a decade of stagnation, remember it was Aneurin Bevan who remarked: why gaze into the crystal ball when you can read the book?

Joe Rogaly

The reins tighten on public spending

The government is living on its nerves. If it is lucky, the recession will come to an end soon. Then it can make good its election promise "to provide an economic environment which encourages enterprise". We would enjoy price stability, "firm control" over public spending and lower taxes. If that is achieved at a bearable cost, Mr John Major and Mr Norman Lamont will have earned their place in history as a remarkable duo. Wondrous accounts will be written of the far-sighted statesmen who led Britain into a new era of low inflation, steady growth, quality public services, a healthy lifestyle, clean air, dozens of Citizen's Charters and a winning smile from breakfast to bedtime.

Alternatively, the prime minister and the chancellor may be, shall we say, thwarted by an absence of good luck. If that happens they will be seen as a twin disaster, the Laurel and Hardy of British politics. They will be remembered for failing to get out of the exchange rate mechanism, for producing near-zero inflation at the cost of semi-permanent stagnation, for running down public services, for making not one Briton healthier nor one cubic centimetre of air cleaner, for meaningless charters and a winning smile from Mr John Smith.

You have to choose between these alternative readings of what is going on before you can make up your mind about the import of the decisions on public spending announced on Wednesday evening. My view is that the government believes (hopes? prays?) that the budget deficit can be brought permanently under control – but that experience suggests otherwise.

Mr Major's ambition, as expressed in the Conservative election manifesto in April and repeated on Wednesday, is "to reduce the share of national income taken by the public sector". He is asking a lot. Over the past 30 years government spending has more than doubled in real terms, but national income has risen by less than 90 per cent. The effect is well-known. In 1963-64 state expenditure accounted for little more than 36 per cent of gross domestic product. When Mrs Margaret Thatcher came to office in 1979, that key ratio stood at some 44 per cent. It has been higher – above 48 per cent in the mid-1970s and above 46 per cent in the early 1980s – and lower, down to a fraction less than 40 per cent when Mr Nigel (now Lord) Lawson was chancellor. But the way things are going it may be back up to 44 per cent next year, which is where it was when the Tories came in 13 years ago. The fiscal frontiers of the state will stand where they were when Labour was last in office.

> **The prime minister and the chancellor may . . . be seen as a twin disaster, the Laurel and Hardy of British politics**

To save itself the embarrassment of that revelation, the government has taken to pointing out that the ratio is misleading, since it rises naturally during a recession, as growth falls. So it does. Ratios are therefore out; firm intentions in. The new system of control that Mr Lamont will now impose will allow for a maximum real growth in spending of some 2 per cent a year, half a point below what the Treasury regards as the long-run potential of the economy. This is to be achieved over the "medium term", which means not now, while growth is a memory, but for as long as it takes for something, preferably business activity, to turn up. Then we can presumably return to the ratio as a benchmark. It will look respectable again.

The essence of the new system is that it is "top-down". The cabinet will decide, as it did this week, on the grand totals of future years' spending. Then ministers who seek more for their departments will have to explain why to those who must therefore get less. Not all parts of the mechanism are yet in place. It is characteristic of the incremental, nuts-and-bolts approach of Mr Major's government that this should be so. Top-down budgeting will evolve, although it starts at once.

Bilateral discussions between the chief secretary, Mr Michael Portillo, and individual ministers will continue but everyone will know that the outcome cannot exceed £244.5bn for next year. In previous years the "bilaterals" were the means by which the final figure was arrived at. Success this year will depend on the government's determination not to be moved from the number it first thought of. A special cabinet committee, chaired by Mr Lamont, will presumably bring the main spending ministers together so that in brotherly and sisterly affection they may trade favours – within the pre-ordained total. Mr Portillo will report to this committee.

There is a further wrinkle. For 1993-94 the planning total includes unemployment benefit. If job losses are higher than forecast, other departments will have to finance the consequent increase in the cost of social security, or benefits will have to be cut. In the following years, the "new control total" will exclude unemployment benefit. Other departments neither lose if it rises nor gain if it falls.

The change of system is important, but less revolutionary than it might seem. In recent years the talk has been of getting "as close as possible" to the target, a loose control if ever there was one. But before 1987 Cabinets affirmed their faith in planning totals and tried to stick to them. The Labour party's election manifesto promised an autumn national economic assessment, which would indicate how much could be afforded. This would be adhered to, or, if necessary, taxes would be increased. Most businesses understand budgeting to a prescribed cash total. The pre-1979 government of Mr James (now Lord) Callaghan moved from real-terms, or funny money, budgeting to departmental cash limits. Now a cash lid is being placed on the entire UK enterprise, based not on a series of individual bargains but predetermined by a calculation of what can be afforded.

The net result is that there are three bars to the iron cage into which the grim optimists of Nos 10 and 11 Downing Street have locked themselves. They propose to ratify the Maastricht treaty, just as soon as they can get it through the Commons. They are pledged to stick within the ERM, whatever the cost. The third bar clanged into place this week, when they published public spending totals which they promise will not be exceeded.

The consequent "cuts" may make them as unpopular as Mrs Thatcher ever was. Even in departments where real spending rises, as in the health service, there will be a chorus of anguish at the increases that might have been. In British political parlance these are "cuts".

We can only applaud Mr Major and Mr Lamont's courage, or, if you prefer, sympathise with their desperate plight.

Tough medicine helps to cure US banks' ills

Both bankers and their regulators have acted promptly to seek remedies for bad debt and cost problems, says Alan Friedman

After two years of recession, heavy loan losses caused by the commercial property slump and a series of tough restructuring programmes to cut costs, there is at last evidence of solid recovery in the US banking industry.

This, at least, has been the message over the past fortnight as many banks have put on a parade of improved second-quarter earnings, lower loan write-offs and stronger capital ratios.

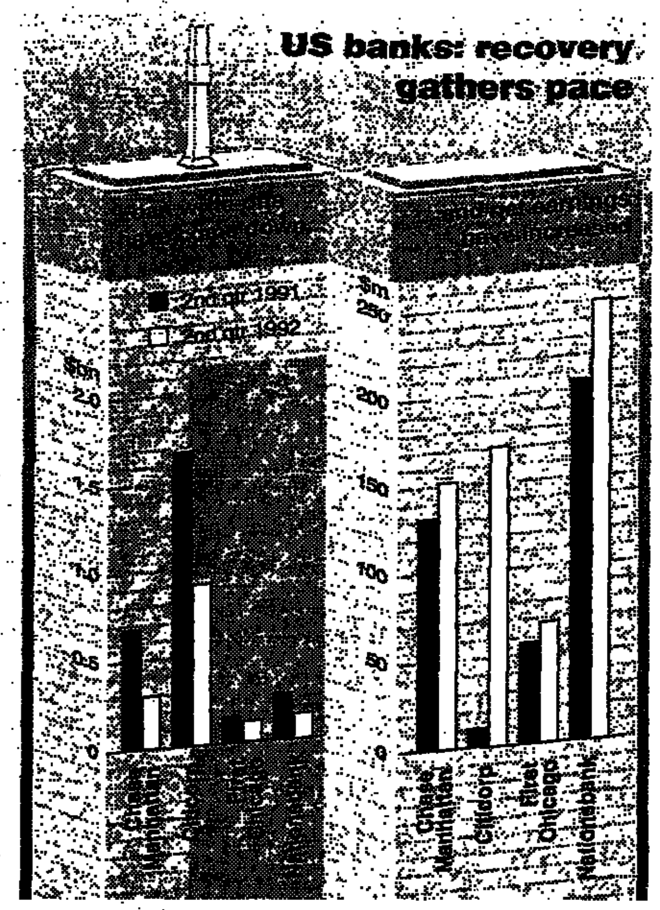
Citicorp, the nation's largest bank with assets of $219bn (£114.6bn), has led the way. Although its North American commercial property division is still in the red, Citicorp's net earnings for the second quarter jumped from $11m to $171m. For the first six months of 1992 earnings were more than trebled, at $354m.

The recovery has not been confined to the bigger banks. Across the US, institutions large and small showed signs of an upturn in the second quarter. These include Chase Manhattan (15 per cent higher net income); First Chicago (up 19 per cent); Bank of New York (up 45 per cent); JP Morgan (up 67 per cent); Norwest of Minneapolis (up 21 per cent); First Fidelity of New Jersey (up 47 per cent); Barnett Bank of Florida (85 per cent higher); and Fleet Financial of New England (net profits more than doubled, from $28m to $71m).

Mr James McDermott, president of New York-based bank analysts Keefe Bruyette, notes: "Two years ago it looked as if the banking industry was going out of business. Today, it looks as if the banks will last forever."

In some ways, the recovery has been faster than Wall Street and the industry itself might have expected. This is partly because bank profits have been bolstered by fatter interest margins that owe much to the series of rate cuts by the Federal Reserve Board since last December. With the Fed funds level – the wholesale money rate at which banks borrow from each other – at around 3.25 per cent, the opportunity for better margins have been abundant, since the prime lending rate for companies stands at 6 per cent.

Regulators have also moved fairly quickly to seek remedies for bad debt and cost problems. The clouds over the US property market began to appear in early 1990, when prices began to soften, but by the autumn of that year bankers had begun to realise that their loan portfolios had deteriorated even more rapidly than they had expected. In 1990-91, the US banking industry faced its most serious crisis since the less developed country (LDC) loan débâcle of the early 1980s, when US bank loans to Mexico, Brazil and other countries led to large write-offs.



Most senior bankers got the message quickly and acted. Dividend payments at many banks were slashed or halted; workforce reductions at dozens of medium and large US banks averaged 10 per cent; and non-strategic assets – including, for example, service companies and European property holdings – were disposed of.

Banks dealt with their problems head-on, slashing dividends and cutting workforces

More important, most banks dealt with their problems head-on, classifying large chunks of commercial property loans as non-performing, providing against loan losses and simply writing them off.

It came as a shock to Wall Street when, in the autumn of 1990, Chase Manhattan halved its dividend, made heavy provisions and unveiled a package of draconian measures that included reducing its workforce by 12 per cent and selling a number of European assets. But Chase, like others who took the medicine, is now on the mend.

Another important step towards rationalisation, taken as the banking crisis coincided with the sputtering performance of the US economy last year, was a series of mergers.

The first of the three most prominent mergers, all of which are already yielding benefits in terms of cost savings, was the decision in late 1991 to combine NCNB of North Carolina and C&S/Sovran of Georgia into NationsBank. It is now the fourth-biggest US bank, with $111bn of assets and more than 1,800 branches in 10 south-eastern states. NationsBank says that by 1994 it will have achieved annual cost savings of $450m, through rationalisation of business and eliminating duplication of administrative services.

The second big merger came a year ago, when Manufacturers Hanover Trust and Chemical Bank joined forces to become the third-biggest US bank, with assets of $142.4bn and a powerful branch base in the New York area.

This week, Chemical managed a 30 per cent rise in second-quarter net profit, said it had reduced total staff by more than 10 per cent and was well on the way to achieving $750m of annual cost savings.

Bank of America last August engineered the biggest bank merger in US history when, in what has been seen as a takeover, it merged with Security Pacific, the Los Angeles-based bank troubled by heavy loan losses. It is even more ambitious – it plans to achieve estimated annual savings of $1.2bn by 1995.

Although Bank of America's first results since the merger with SecPac was completed in April showed second-quarter net profit down 11.8 per cent, Wall Street is impressed by the speed with which SecPac is being integrated into its larger partner's operations.

Mergers have not been the only driving force behind the recovery, however. Other crucial elements have been the drive to strengthen capital and to generate new revenues, especially from fee income.

For example, Citicorp, which has been among the weakest of US banks in terms of capital, added $1.5bn of new capital during the first half of this year and brought its main Tier One capital-to-assets ratio to 4.25 per cent, up from 3.74 per cent at the end of last year.

Observers say that one example of the way in which banks have attempted to raise fee income is an increase in charges to companies for back-up lines of credit, from an average of a fifth of one per cent to a third of one per cent.

There are still problems in the industry, however, particularly as the commercial property market seems unlikely to improve in the short term. But the view of Wall Street is summarised by Mr Tom Hanley, a leading banking analyst at First Boston who says that "the worst is now behind us".

Most bankers say their industry will obviously only stand a chance of continuing its recovery when the US economic recovery solidifies and the corporate and consumer debt burdens of the last decade are eased. "There is no way to cure an over-leveraged system quickly," remarks Mr McDermott of Keefe Bruyette, who none the less sees bank industry earnings improving into 1993.

In the meantime, bankers claim they have learned from the property loan fiasco of 1990-92 and will no longer leap into a single lending sector with such abandon. The same, of course, was said by bankers after the US property slump of the mid-1970s, and the LDC debt crisis of the early 1980s and the Texas oil-related bust of the late 1980s. This time, however, the bankers swear they mean what they say.

Additional research by Rivka Nachoma

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Debt and economic activity

From Prof Michael Lipton.

Sir, I agree with 99 per cent of Samuel Brittan's excellent article, "Debt work-out dangers" (July 13). However, there are two important ½ per cents remaining.

First, the argument against "debt deflation" theory can be greatly strengthened, again for Keynesian reasons. When I repay debt (instead of spending) out of extra nominal income, my creditor (instead of my supplier) has more money. If my creditor is a bank, its monetary base is enlarged and it can lend more, fuelling other people's spending on consumption or investment. If my creditor is a firm (or household), then my repayment permits more investment (or consumption) directly. Of course, the state of confidence may be such that my creditor uses my debt repayment to increase its savings, not its economic activity – or the exchange rate may be such that my creditor uses my repayment to import. But, if so, that is not the fault of "debt deflation" but of "low" levels of economic confidence – or "too high" exchange rates. One person's, or institution's, debt repayment is another's – the creditor's – receipts. Only to the extent that creditors have a higher marginal propensity to consume (as opposed to saving or importing) than debtors is there a "debt deflation" brake on the growth of economic activity.

Second, there is an important exception to Mr Brittan's judgment that macro-economic policy options cannot affect the real economy. Options that lead to significant, sustained rises in real long-term interest rates lead economic agents to arrange their affairs so as to shift incomes more firmly towards the present, and costs more firmly to the future, than was the case at lower real long rates. This increases rates of resource depletion; and reduces incentives both to adopt resource-saving methods of production and consumption, and to discover new reserves of resources. In the long run, this has a fairly dramatic effect on the real economy, viz. to destroy it.

Michael Lipton,
15 Eaton Place,
Brighton, Sussex BN2 1EH

Conditions right for new funding policy

From Prof Andrew D Bain.

Sir, It appears to be received wisdom that underfunding the public sector borrowing requirement would result in a rise in short-rates, owing to the increased supply of Treasury bills, and a fall in gilts yields, owing to the reduced supply of gilts.

It is true that gilts yields would fall, in so far as UK bond prices reflect domestic supply and demand conditions as well as conditions in the international capital markets. And higher gilts prices could be expected to support UK equities and improve conditions in the new issue market – all of which would help to speed up recovery from the recession.

But the notion that short-term rates would have to rise is false. These are determined by Bank of England policy, enforced through its control of the supply of "cash", at levels governed at present by exchange rate considerations. There is no reason why an increased supply of Treasury bills (or more probably a reduction in the Bank's holding of commercial bills) should cause the Bank to increase its dealing rates in the market. Only if monetary expansion warranted interest rates higher than those required to support sterling in the ERM would the Bank want to raise its rates.

It follows that underfunding need have no ill effects for the building societies or mortgage rates. In current conditions, when broad money is growing too slowly, the government's full funding policy should be replaced by a policy of funding only as much as is necessary to ensure an acceptable rate of monetary growth.

Prof Andrew D Bain,
Department of Political Economy,
University of Glasgow

Pay scheme will stay

From Mr A H Hart.

Sir, Your article on performance-related pay schemes (Management, July 20) points out their robustness and widespread use in the public and private sectors. At Kent County Council we understand this durability. Pay of all 11,500 managerial and white-collar staff is linked to individual performance appraisal.

In common with your article's definition of "best schemes", we introduced PRP in conjunction with other human resource management techniques and in the context of a performance management system. It was coupled with a properly thought-out system for training, rewarding and encouraging staff.

The key question is whether PRP enables performance management to become part of normal management practice, linking performance measurement and staff development in a sharply focused way.

Our experience is that PRP focuses attention on action plans and targets; it brings home to line managers their accountability for people; and it sends a clear message on the importance of performance standards in providing good quality services. Unlike Coventry City Council we shall not be joining the "tiny minority" which have abandoned PRP.

A H Hart,
Leader of Kent County Council,
County Hall,
Maidstone, Kent ME14 1XQ

Central Park bandstand project aims to recapture historic design

From Betsy Gotbaum.

Sir, Let me clarify some of the issues raised in "New York's oasis of the park" (July 13), an account of New York City Parks & Recreation's proposed removal of the Naumburg Bandshell from Central Park.

When Central Park was built, Frederick Law Olmsted included an octagonal cast-iron bandstand designed by Jacob Wrey Mould on a grassy area to the west of the mall. This bandstand remained until 1923 when it was demolished owing to its dilapidated condition, and replaced by the current bandshell on the east side of the mall. Now my agency feels that this facility, too, has seen its day, and should be removed.

Unlike the original bandstand, which was open on all sides, the massive stone bandshell broke up the sweeping vista along the mall that Olmsted had intended. From the Wisteria Pergola atop the hill behind the bandshell, it was no longer possible to enjoy (as Olmsted had intended) a panoramic view of the mall and lake.

For the next 50 years, popular classical concerts were held at the bandshell – until 1980, when the Naumburg family concert series abandoned the bandshell for Damrosch Park at Lincoln Center because the site had become too loud and active for their concerts. As no one wanted to use it, the bandshell fell into decay.

The Mall is now in the final stages of an 18-month, $4m restoration. The project's purpose is to recapture the historic design of Central Park's most architecturally formal space, and to offer New Yorkers an unparalleled green setting featuring lawns and permanent seating under a cathedral canopy of elm trees. The bandshell has become an anachronism that attracts illegal activity and vandalism.

The removal of the bandshell will restore the area to Olmsted's original plan, and make the area safer. My agency cannot afford to commit its limited resources to restoring and maintaining structures that no longer serve a useful public function.

Betsy Gotbaum,
City of New York Parks & Recreation,
The Arsenal,
Central Park,
New York, NY10021

OBSERVER

Busting out all over

■ Time was when western tourists were apt to return from the Soviet Union feeling literately inferior. Even the most ordinary citizens on public transport and so on could be seen earnestly reading great classical works.

While this behaviour was often ascribed to some innate seriousness in the national character, the reason was probably just a lack of what the public really wanted. For, today, Pushkin et al have been given the push in favour of thrillers, especially the erotic kind.

Whereas the Soviet culture used to be puritanical, and even faintly naughty films and books were banned, sex is now busting out all over. For instance, perhaps feeling upstaged by a "Miss Big Bust" competition held in Estonia's capital Tallinn, Moscow's sex-maniacs are showing their mettle with an "erotic dance competition" to be held this weekend at the Ismailovo Sports Centre.

Nevertheless, the organisers, a body called "Culture and Health", insist that the prizes on offer will be awarded for artistic merit, not simply "vulgar display". Moreover, they're taking pains to keep libidos from boiling over.

Their plan is to break up the erotic dancing with interludes featuring well known pop-stars – which, however strongly it testifies to the organisers' social responsibility, does not say much for Russian pop.

Incestuous

■ Matrix Churchill's plunge into receivership might raise a wry smile among ageing students of Britain's machine tool industry. One of the receivers, Philip Baldwin of Price Waterhouse, was also the man on the spot when Alfred Herbert went down in the last recession, nine years ago.

Baldwin ended up selling the Herbert name and product range to TI Matrix, which subsequently became Matrix Churchill and fell under Iraqi ownership in 1987. Four years later it was bought by Keith Bailey's Automation Investments and shares the AI stable with BSA Tools – which, as White BSA, tried to buy the Herbert assets back in 1983.

"It's an incestuous sort of business," says Bailey who is soldiering on with his BSA Tool business. Who knows, he might even try to salvage some of Matrix's assets from the receiver – although in that case, he'd have to contend with Baldwin who should have a better idea than most of what the assets are worth.

Puff

■ So what perk is the City of London PR Group now offering to its shareholders to soften the bumpy ride they've been having these past few years? Yes – a hot air oven.

Castro de luxe

■ The Spanish hosts of the Ibero-American summit are testing the visiting heads of state with a punishing Madrid-style entertainments schedule. Starting dinner last night at 10pm, the leaders were then scheduled to head for a concert which started at 15 minutes after midnight.

Earlier in the evening, the schedule had appeared threatened by the blind octogenarian president of the Dominican Republic, Joaquin Balaguer, whose half-hour speech to the opening session overshot the seven minutes allowed by a considerable margin. This looked like taking the spotlight from the Cuban leader Fidel Castro, who everybody also feared would also make an extended speech.

Castro, who on his first visit to the United Nations in New York, moved into a hotel in Harlem and regularly ordered out for fried chicken, is allowing himself a little more luxury these days. Along with other leaders, the bearded president is holed up in the Ritz, which by no stretch of the imagination is a proletarian hotel.

"My wife thinks I'm drafting a privacy Bill"

New meaning

■ It's nice to hear that Britain's economists, much maligned for failing to predict anything very meaningful over the past few years, are doing something practical to improve the trade deficit.

Oxford Economic Forecasting has just landed a juicy contract with China to construct a computerised model of the country's economy over the next two years. And John Walker, Oxford's chief economist, is flying off to Beijing soon to have a crack at the process. The fact that his initial training was in chemistry – not in economics – will undoubtedly help.

But it is slightly less encouraging that the man who will thereafter do much of the work is Walker's colleague Geoff Mean. This is the same Geoff Mean who, when working for the Treasury in the 1980s, had a big hand in building the government's model of how the UK economy works.

As the model has turned out to be far from accurate in its predictions about the UK, we must hope Mean has learned from his mistakes. Or in the words of an old Chinese proverb: "May man meddling in models miss making muddles."

Challenged

■ Now that Arjo Wiggins Appleton has found a French replacement – Saint Gobain's Alain Soulas – for the deposed Stephen Walls, the question now is where will young Walls resurface. Presumably, after his handsome pay-offs from Plessey and Arjo he can afford to wait for the right job to turn up. After all, he is still a mere 44.

It sounds like he's going to take on the chairmanship of former glamour stock Albert Fisher. He already sits on the board. It's the sort of challenge which would prove once and for all whether he's as good as he's cracked up to be.

Footnote

■ A Colt-toting dog with one leg in a sling hops into a wild west saloon and looks menacingly around. "Ah'm lookin'," he drawls, "for the man who shot mah paw."

FINANCIAL TIMES
Friday July 24 1992

Boxing clever: Final preparations are made inside the Olympic Stadium for tomorrow's opening ceremony

Olympics sharpen old rivalries

Catalonia vs Madrid may be hardest-fought event, writes Peter Bruce

JUST in case visitors to the Barcelona Olympic Games were unaware that the city is run by the Socialist party and that opposite City Hall sits the headquarters of the nationalist regional government of Catalonia, both have spent the past weeks trying to make their positions obvious.

The socialists began by driving out of town hundreds of prostitutes and transvestites, thus depriving the city of the most colourful element in its otherwise cliquey nightlife. Eastern Europeans would instantly recognise the mind-set that polishes pavements before lots of foreigners come to town.

The nationalists have been, as ever, even less subtle. They took out double-page advertisements in international newspapers last week asking "in which country would you place this point?" with a dot marking Barcelona on a blank page.

The "country", of course, was not Spain, but Catalonia, a small, semi-industrialised region on the margins of Europe.

Ever since it was first decided to hold the 1992 games in Barcelona, the socialist City Hall and the nationalist regional government have lost themselves in a contorted effort to claim them as their own.

At one stage the nationalist government allowed its followers to believe the possibility really existed that Catalonia would be able to compete as a separate country.

Nationalist pressure has at least won them the right to have the Catalan anthem played at the inaugural ceremony tomorrow, and the Catalan flag will adorn Olympic sites throughout the games.

Catalonia's games? In the City Hall, Mr Enric Truno, the Socialist party councillor responsible for preparing Barcelona for event just sighs. "We have tried to share the games with the rest of Catalonia," by scattering events around the region, he said in a recent interview.

That has not been enough for Mr Jordi Pujol, the leader of the nationalist government, for, like most moderate nationalists, his constant carping over the years about how terribly badly Madrid treats his country has bred a generation of people who actually believe it.

People watching the Olympics on television around the world might be startled by the occasional youth wearing "Free Catalonia" on his T-shirt throwing himself in front of the cameras. In English, that is. No one but the locals understands Catalan.

The problem is that Catalonia is already free. Poor Madrid, which has had to fund far more than half of the $10bn that has gone into Olympic housing, stadiums, new highways and sewers – and restoring a beach – – has learned it is best to say nothing when Mr Pujol and his patriots climb their flagpoles.

But the truth is that these games are the work of the ruling Socialist party in Madrid and its Catalan affiliate. Barcelona has been a socialist city ever since the first elections after Franco died in 1975. Jealous of the credit that would go to City Hall, Mr Pujol spent a great deal of time in the late 1980s frustrating plans to build hotels in Barcelona and interfering in infrastructural projects.

Unable to topple the socialist mayor, he is now making the most of the fact that things have gone well. The project is ready. Even the 1,000 athletes who will have birthdays in the next two weeks have had cakes specially ordered for them. The only thing that can go wrong now is security.

Mr Pujol would no doubt be quick to point fingers at Madrid if the Basque separatist movement Eta does anything to upset the Olympics. The Spanish have drafted in 26,000 police and security guards to ensure nothing happens. Mini-submarines patrol the beaches, and Mr Truno is calm. Many Eta leaders in exile in France have recently been arrested, and the organisation is in trouble.

"By the time the games begin, Eta may have missed its political chance," he said. It would be a major departure for Eta to kill foreigners, and the small Catalan terrorist group is not regarded as a serious threat.

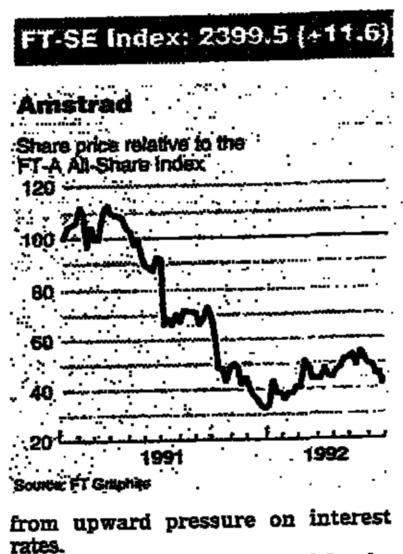
The prostitutes, however, have threatened to invade the city-centre at night in protest at having been shunted off into an industrial suburb.

Madrid could hardly be blamed for that, but if the ladies and men of the night become unruly, someone in Barcelona will surely try.

Dying for glory, Page 14

THE LEX COLUMN

The Spanish two-step



Changes in Spanish interest rates do not have quite the same impact on the UK that they might have had when the peseta was at its ERM limit against sterling. It is thus tempting to dismiss yesterday's 60 basis point increase in the Bank of Spain's intervention rate as largely a domestic affair, prompted as much by continuing worries on inflation as by the Bundesbank's recent monetary tightening. Just the same, the UK authorities cannot be entirely comfortable at the growing list of European countries to have reacted to the German move.

Besides Spain, these now include Italy, Belgium and the Netherlands. Though the latter two confined themselves to technical operations in the money market rather than explicit rate rises, the impression is growing that the trend of interest rates in Europe is upwards. As long as France holds its own rates and Germany does not tighten further, the UK may manage to stay aloof on the grounds of its weak economy and relative success in curbing inflation. But it is still using up its credibility on the foreign exchange market.

It has for a long time seemed unlikely that the exceptionally narrow quarter-point differential between German and UK rates can persist once the Bundesbank does eventually decide to relax. At that stage, UK rates will almost certainly have to fall more slowly than German ones.

The more immediate danger is that of a Lombard increase after the summer holidays if German money supply growth shows no signs of abating. The UK would then not only be sucked into a further round of European rises. It might have to go further than matching the actions of its partners.

Euro Disney

Sentiment towards Euro Disney has turned so negative in recent months that there is little shock left in its forecast yesterday of a net loss in the current year. All the same, the omens are at first sight scarcely encouraging. Attendance levels may be up on that achieved by other Disney theme parks at a comparable stage, but the company faces an uphill struggle meeting its target of 11m visitors in its first year. That depends on the winter having only a limited seasonal impact on attendance levels, an unlikely prospect when Euro Disney also runs the risk of being caught up in any European economic slowdown resulting from upward pressure on interest rates.

This only increases the need for the company to match its expenditure to the level of business it eventually manages to attract. Costs were always bound to be high in the early stages when Euro Disney had to be ready to receive any number of visitors. Only when they have been cut and a clearer pattern is established for visitor levels will it be possible to evaluate earnings prospects and thus the share price. Original expectations look optimistic. But with the shares 40 per cent below their peak in March, there is also a danger of overdoing the pessimism.

Wellcome

As the Wellcome share offer draws to a close today, its promoters might reflect that their timing could have been a good deal worse. Since the bulk of the proceeds are to be reinvested in equities, all that really matters is that the shares should be sold at a high price relative to the market. Since flotation, Wellcome's price has tripled in relative terms. Despite its recent weakness, it is still higher against the market than at any time outside the past 8 months. Given that, it is in the Wellcome Trust's interest as a buyer of equities that the market should be as low as possible. As any actuary at a life company will tell you, the point about bombed-out markets is that they offer inflation-proofed income on the cheap.

The only real question for the Trust is therefore how many shares to sell. The criteria were set out yesterday with admirable clarity. The minimum price has been set at 800p as a warning to short sellers, thus setting the maximum discount to yesterday's close at only 3.6 per cent. Thereafter, the guiding principle in setting the price and quantity is that there should be no discount in the after-market. For a seller which will end up with well over a third of the equity, that seems a sensible precaution.

From a buyer's viewpoint, the immediate question is whether the sale process has driven the price below the level which might naturally be expected from such a huge increase in the free float. If not, a discount of 1-2 per cent scarcely seems enough in today's volatile markets to justify a change in stance towards the stock. Perhaps fund managers should also ask themselves the following: if it is such a good deal for the Trust to switch out of Wellcome into general equities, where is the attraction in doing the reverse?

Amstrad

It is hard to know whether to be more astonished by Amstrad's proneness to accident or its talent for survival. Yesterday's statement suggests that pre-tax losses this year will total at least £65m on sales not much over £300m. But the liquidation of stock which has largely produced this result means that net cash now stands at over £100m compared with £40m in February.

Aside from the general awfulness of the world market for personal computers, the question is whether Amstrad has finally exhausted the potential for designing and commissioning consumer electronic products in a market dominated by vastly bigger rivals. If so, Mr Sugar will doubtless think of something else to turn his hand to. How far he deserves backing from portfolio investors is another matter.

More immediately, the shares at yesterday's 29p are on a yield of 6.4 per cent, assuming a maintained dividend. On an earnings basis, the company should not be paying a dividend at all. But a held payment would cost only a tenth of the cash pile. As shareholders might reflect, Amstrad's recent history suggests the money is a good deal safer with them than re-invested in *Amstrad inventory*.

Eurotunnel

Yesterday's Lex piece on Eurotunnel produced a formal response from the company, which is reported on Page 24.

Respite for sterling as calm returns to markets

By Emma Tucker and Alison Smith in London

CALM RETURNED to the financial markets yesterday as the pound enjoyed a temporary respite and a new survey provided a glimmer of hope for the UK's economic recovery.

Sterling finished half a pfennig higher at DM2.8375, boosted mainly by technical factors but buoyed also by the government's announcement on Wednesday that it would tighten controls on spending.

However, a rise in Spain's key interest rate yesterday to 13 per cent from 12.4 per cent means that sterling's woes may not yet be over. The move by the Bank of Spain leaves Britain as one of the few members of the European monetary system which has not yet tightened monetary policy in the wake of last week's rise in the German discount rate.

A survey of almost 9,000 companies by the British Chambers of Commerce found that the economic trend "remained towards a slow and lasting recovery" although the BCC warned that it would take little to knock the upturn off course.

Mr Christopher Stewart-Smith, president of the BCC, warned that a cut in training budgets could lead to skills shortages acting as a brake on the recovery.

The opposition Labour party stepped up its criticism of the planned changes to the public spending round, accusing the government of trying to use them as a smokescreen to distract from the effect on spending of continuing economic stagnation.

Opposition spokesmen warned that, in spite of Tory election pledges, public services would be "sacrificed on the altar of their own economic incompetence".

On the Stock Exchange prices closed firmer with Boots' share price rising 4 per cent following an optimistic trading statement from Sir Christopher Benson, chairman of the diversified retailing group, at the company's annual meeting.

There was more bad news for the government from the Engineering Employers Federation which sharply revised downwards its forecasts for UK economic growth this year and 1993 amid reduced expectations for UK and world recovery.

An update to the EEF's engineering economic trends series confirmed that engineering output has stopped falling, but pushed back by about six months the expected start of its recovery.

UK car industry, Page 6
Joe Rogaly, Page 16
Currencies, Page 40
Markets, Page 41

UK 'shadow' cabinet gains five new members

By David Owen in London

THE "shadow" cabinet of Britain's opposition Labour party assumes a more youthful image after yesterday's election of five new faces – four in their early forties – to serve under leader Mr John Smith and his deputy Ms Margaret Beckett.

The changes reflect the meritocratic, as opposed to ideological, nature of Labour's 69 new MPs whose votes played a critical role in the three-month election process.

Two of the newcomers – Ms Harriet Harman and Ms Marjorie Mowlam – are women, bringing to five the female representation on the body, the highest ever.

Ms Harman and Mr Chris Smith also bring an injection of southern blood into a party increasingly identified with Scotland, Wales and the north of England.

The other two newcomers, Mr David Blunkett, a former leader of Sheffield council, and Mr Tom Clarke, the Scottish junior health spokesman, will prove popular choices among more traditional Labour supporters.

Top of the poll were Mr Gordon Brown and Mr Tony Blair. Each is expected to be rewarded with a top job when the full list of shadow cabinet appointments is published, probably today.

Two of the party's current spokesmen – Mr Barry Jones and Ms Jo Richardson – were defeated and lose their posts.

Bonn cartel office rules against Gillette

Continued from Page 1

pre-emptive rights to buy further Eemland shares, enabled Gillette to influence the company's management.

Gillette says it has no influence over Eemland and made its investments only so that it could buy Wilkinson Sword's businesses outside the US and the EC. Gillette says it is prepared to dispose of its Eemland interests by mid-1994.

Once the order sought by Mr Lilley is granted by parliament, Gillette would be required to make the disposal in six months. After that the government would have to seek a High Court injunction enforcing the order.

The cartel office has set no deadline for implementation of its decision, which Gillette may challenge in court. If that happened, the case could take up to three years to be concluded.

Gillette and Wilkinson Sword together control more than 90 per cent of the German wet shaving products market, according to the cartel office. Their combined shares of the EC and world markets are estimated at more than 75 per cent.

Gillette's relations with Wilkinson Sword have also been investigated by competition authorities in Canada, France and the US, where Gillette agreed, under official pressure, to dispose of Wilkinson's US businesses.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	24	75	Frankfurt	S	26	79	Majorca	S	29	84	Oporto	F	20	68	Tenerife	S	27	81
				Brussels	S	24	75	Geneva	F	22	72	Malaga	S	27	81	Oslo	F	22	72	Tokyo	S	33	91
				Budapest	F	32	90	Gibraltar	F	25	77	Malta	S	29	84	Paris	S	26	79	Toronto †	R	14	57
Ajaccio	S	28	82	Buenos Aires	F	10	50	Glasgow	C	18	64	Manila	C	33	91	Prague	F	21	70	Tunis	S	31	88
Algiers	S	30	86	Cairo	S	32	90	Helsinki	S	24	75	Melbourne	C	14	57	Reykjavik	F	11	52	Valencia	S	29	84
Amsterdam	S	23	73	Cape Town		–	–	Hong Kong		–	–	Mexico City	C	25	77	Rhodes	S	29	84	Venice	S	31	88
Athens	C	29	84	Caracas	F	29	84	Innsbruck	F	23	73	Miami †	F	28	82	Rio d'Janeiro	C	29	84	Vienna	S	27	81
Bahrain	S	37	99	Casablanca †	F	23	73	Inverness	F	17	63	Milan	S	30	86	Rome	S	29	84	Warsaw	F	26	79
Bangkok	C	33	91	Chicago †	Dr	17	63	Islamabad	C	32	90	Montreal †	C	17	63	Salzburg	C	23	73	Washington †	C	23	73
Barcelona	S	26	79	Cologne	S	24	75	Istanbul	S	25	77	Moscow	F	26	79	S'Francisco †	S	13	55	Zurich	F	22	72
Beijing	C	24	75	Copenhagen	S	22	72	Jakarta	C	33	91	Munich	F	23	73	Seoul	F	30	86				
Beirut	F	27	81	Corfu	S	30	86	Johannesburg	F	19	66	Nairobi		–	–	Singapore	F	27	81				
Belfast	R	17	63	Dallas †	S	24	75	Lisbon	S	24	75	Naples	S	31	88	Stockholm	F	23	73				
Belgrade	F	31	88	Dublin	R	18	64	London	R	21	70	Nassau	F	32	89	Strasbourg	S	26	79				
Berlin	S	24	75	Dubrovnik		–	–	Los Angeles †	C	21	70	New Delhi	F	32	90	Sydney	S	15	59				
Biarritz	S	28	82	Edinburgh	F	20	68	Luxembourg	S	24	75	New York †	C	22	72	Taipei	F	35	95				
Bombay	F	30	86	Faro	S	27	81	Madeira	F	23	73	Nice	S	28	82	Tangier	S	25	77				
Bordeaux	S	27	81	Florence	S	32	90	Madrid	S	31	88	Nicosia	S	28	82	Tel Aviv	F	28	82				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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INSIDE

Salomon earnings reach $375m

Wall Street securities house Salomon yesterday reported second quarter after-tax operating earnings of $375m the best three-month performance in the group's history and the clearest sign yet it has recovered from last year's bond-trading scandal. Page 20

Dangerous times in Milan

Last weekend's killing of a leading anti-Mafia judge has precipitated a collapse of share prices on the Milan stock exchange. Investors, disgusted by the state's impotence to crack organised crime, have been dumping their Italian equity holdings. But signs of a fall have been around since last year as trading volumes dwindled in spite of long-awaited market reforms. Back Page

The new oil rush to the east

The vast oil and gas reserves of the former Soviet Union have been the talk of the western oil industry for more than two years, but several recent events have added a new impetus to the great oil rush to the east. Neil Buckley reports in the first of three articles. Page 32

Elf in east German petrol deal

Elf Aquitaine, the French oil group, and Thyssen, the German steel and engineering group, yesterday confirmed a DM6bn ($3.9bn) contract to take over and modernise eastern Germany's main petrol station network and build an oil refinery there. Page 20

Arjo Wiggins names new chief

Arjo Wiggins Appleton, the Franco-British paper group, is to replace the group's sacked chief executive, Mr Stephen Walls, with Mr Alain Soulas, presently chief executive of the paper division of Saint-Gobain, the French industrial company. Page 24

Amstrad may lose £65m

Losses at Amstrad, the UK consumer electronic group, are likely to reach £65m ($124.15m) in the year just ended on June 30. Page 24; Lex, Page 18

Delta slumps after loss

Shares in Delta Air Lines, one of the big three US carriers, slumped another $1¼ to $52¼ when it said it had lost $180.2m after tax in the April-June quarter.

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
GEHE	935	+	15
Falls			
Altana	590	–	10.5
DLW	475	–	11
Herlitz	255	–	10
Linde	753	–	20
Rheinelek	960	–	38

NEW YORK ($)

Rises			
Salom	36¼	+	⅝
Falls			
AMR	62⅝	–	⅝
Au Bon Pain	14½	–	1¼
Delta	52¼	–	1¼
UAL	111½	–	1
Walt Disney	35¼	–	½

PARIS (FFr)

Rises			
AGF	414	+	11.5
Cetelem	716	+	14
Havas	455.5	+	14.6
Peugeot	665	+	20
Falls			
Geophysique	655	–	20
Promodes	670	–	22

TOKYO (Yen)

Rises			
Nippon Synth	604	+	59
Nitto Boseki	358	+	36
Topy Inds	406	+	40
Falls			
Daiichi Hous	175	–	25
Misawa Resort	535	–	60
Toyoda Machine	561	–	63

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Boots	447	+	19
Filofax	39	+	3
First Tech	59	+	3
Ladbroke	175	+	17
Lloyds Chem	235	+	38
Union Discount	63	+	10
Falls			
BET	114½	–	3½
Brit Aero	199	–	10
Davies Newman	20	–	4
ERF	168	–	12
Expamet Intl	62	–	9
Fisons	175	–	8
Greycoat	31	–	7
Harland Simon	18	–	16
Lucas	102	–	7
ML Labs	785	–	48
NFC	224	–	8
Printech	58	–	10
Reuters	1030	–	60
Spring Ram	128	–	7

Digital Equipment falls deeper into red

US computer maker loses $1.85bn in quarter, writes Louise Kehoe

DIGITAL Equipment, the US computer manufacturer, has reported a $1.85bn fourth quarter loss, including restructuring charges of $1.5bn, as it planned to axe jobs and plants in an effort to reduce costs.

The losses highlight Digital's problems as it struggles to come to terms with technology shifts and an industry-wide slowdown. The results come in the wake of last week's announcement that Mr Kenneth Olsen, the company's founder and president, retires on October 1 amid criticism that he has not moved fast enough to improve Digital's financial performance.

"We face an economic slowdown in virtually every major geography, particularly in Europe and Asia. We are taking actions designed to increase revenues, increase market share, reduce costs and improve our efficiency," he said yesterday.

For the fourth quarter, Digital recorded an operating loss of $188m. Net losses of $14.76 per share include the restructuring charge. In the same period last year, when Digital took charges for consolidation, the company lost $871.3m or $7.08 per share. Revenues for the quarter were virtually flat at $3.9bn.

Digital did not disclose how many jobs would be eliminated. However, analysts estimated the company might have to cut about 20,000 people from its 113,800 workforce. Over the past two years Digital has shedmore than 23,000 workers.

Losses for the full fiscal year came to $2.8bn, compared with $617m last year, when the company recorded its first-ever annual loss. In addition to restructuring charges, 1992 losses included a charge of $485m, applied retroactively to the first quarter for accounting changes relating to pensioners' benefits.

On a per share basis, the net loss for the year was $22.39 against $5.08 last year.

Revenues for the year were $13.93bn ($13.91bn).

Digital said its computer product sales revenues declined, in spite of an increased volume of shipments, because the average price of its computers went down. Weak economic conditions, price competition and the negative impact of foreign exchange rate changes compounded the problem although an increase in service revenues offset the decline.

The company's overall costs remained too high for this level of revenue, said Digital. "While we've made progress in some areas, we need to continue the effort and do more," said Mr John Smith, senior vice-president of operations.

USAir deficit continues to mount

By Nikki Tait in New York

USAIR Group, the US airline in which British Airways plans to invest $750m in return for a potential 44 per cent equity stake, yesterday reported increased losses in the second quarter of $84.9m after tax.

This compares with an after-tax deficit of $56.8m in the same period of 1991, and takes USAir's net loss for the first half of 1992 to $147.9m.

The combined BA-USAir operation will link the world's biggest international air network with the third biggest US domestic network and carry more passengers than any other airline.

Mr Seth Schofield, USAir's president, blamed recent domestic fare wars for the poor results.

"Industry-wide fare reductions that began early in the second quarter sharply eroded the positive momentum that we had developed in the first quarter of the year," he said.

His remarks echo those made last week by American Airlines which, although it returned an operating profit, was also hit by the widespread price-cutting.

In the wake of domestic fare wars in the early summer, most analysts have been braced for losses from the nation's biggest carriers. USAir ranks as the sixth largest and has relatively little international business to offset cut-throat business at home.

The quarterly loss was scored on slightly higher revenues, at $1.7bn ($1.66bn), and came after net interest charges of $60.1m ($60.4m). Nevertheless, USAir reported higher operating losses for the second quarter, at $43.7m compared with $27.9m in the same period of 1991.

The operating loss at the airline subsidiary alone was $53.5m, against a loss of $45.3m a year earlier. Revenues were 2.2 per cent higher at $1.58bn, and the passenger load factor rose from 58.4 per cent to 59.9 per cent. However, the yield on scheduled services fell from 16.98 cents to 16.21 cents.

USAir has recently been attempting to reduce its cost base but in the second quarter two main items – labour and fuel – were only reduced by 2.6 per cent and 3.1 per cent respectively.

However, Mr Schofield said benefits of the recent pilots contract, which the airline claims will take $100m out of operating expenses, would be felt in the third quarter.

Euro Disneyland's opening has been a rocky ride, reports Alice Rawsthorn

Losses predicted after low attendance

EURO DISNEY, dogged by bad publicity since opening its FFr2.4bn ($470m) theme park outside Paris on April 12, yesterday confirmed it was on course to make a loss in the current financial year after attracting 3.6m visitors in the park's first 102 days.

Mr John Forsgren, finance director, said the group, which had hoped to break even this year, would be in the red for the 12 months to September 30, but that "the magnitude of the loss would depend on the level of trading in the peak summer season".

Euro Disney's shares, which have been hit by recent adverse publicity about low attendance on quiet days at the park and over-crowding on busy days, initially fell on the announcement but closed up FFr0.15 at FFr97.40.

Euro Disney received operating revenue of FFr1.5bn in the three months to June 30, with FFr1.02bn coming from the theme park and FFr485m from the resort, which includes the six Euro Disney hotels.

The group also made FFr973m from asset sales – compared with FFr1.83bn in the previous quarter – making a total income of FFr2.47bn.

The hotels have sold 370,000 room nights with an average occupancy rate of 70 per cent which is "slightly below expectations", according to Mr Forsgren.

The hotels are currently "almost full", he said, with average occupancy of 95 per cent as the park enters its peak trading period.

Euro Disney denied reports that it had cut hotel rates for the summer season.

However, it reduced rates at two hotels – the Santa Fe and the Sequoia Lodge – in June and is talking to tour operators over price reductions for the autumn and a new tariff for next year.

Since the start of the European school holidays, attendance at Euro Disney has risen sharply and the past week has seen capacity crowds of more than 50,000 people a day, according to Mr Forsgren.

He said attendance from the UK and Germany was well above expectations, but the number of French visitors was still below target.

Disney lifted, Page 20;
Lex, Page 18

Castle in the air bumps down to earth

Euro Disneyland has performed below expectations, both in terms of attendance and hotel occupancy, since opening outside Paris on April 12. The company now admits that it is on course for a loss in the current financial year to September 30.

The critical questions for Euro Disney and its shareholders are how big that loss will be and whether it will be able to avoid further losses next year.

Euro Disney originally hoped for 11m visitors in its first year of operation. The park has already attracted 3.6m people in the first 102 days. Given that spring and summer are expected to have higher than average attendance levels, this means that, unless there is a sudden improvement, Euro Disneyland is unlikely to meet its 11m target.

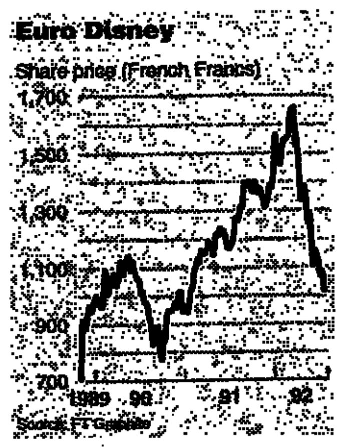
The crux of the problem is the low number of French visitors who have accounted for less than 30 per cent of the total, against a forecast of 50 per cent.

Euro Disney does have the consolation that visits from the UK and Germany are above expectations and foreign visitors tend to spend more as they are more likely to stay in the resort hotels. However, the six Euro Disney hotels are performing "slightly below expectations" with average occupancy of 70 per cent in the first 102 days.

There has been an improvement in overall attendance since the start of the European school holidays. This week Euro Disneyland has been attracting capacity crowds of between 50,000 and 60,000 people a day with 95 per cent occupancy at the hotels. However, the first year's attendance is still expected to be 20 per cent lower than expected at less than 9m people, according to Paribas in London.

This could pose a serious financial problem in that Euro Disney is a highly geared business with substantial fixed costs, such as interest payments and amortised construction costs, representing more than 75 per cent of total costs. That makes it very vulnerable to any reduction in revenue.

The obvious solution is to cut variable costs, chiefly by bringing employment in line with attendance. The Disney parks in the US are extremely efficient at this. They have developed sophisticated forecasting techniques enabling them to alter staffing levels and food supplies on a daily basis.



Euro Disney plans to make similar adjustments. Mr John Forsgren, finance director, said staffing levels will vary from 17,000 in the peak summer season to around 12,500 in the slack winter months. But at present it is difficult for Euro Disney to forecast accurately.

The California and Florida parks, which opened in 1955 and 1971 respectively, have the benefit of years of data. Euro Disneyland will eventually build up similar records. Indeed it should be more efficient at budgeting from next April, when it has its first year of information.

But Euro Disney's forecasting is unlikely ever to be as accurate as its US counterparts because of its location.

First, the climate in Paris is less predictable than in sunny California and Florida.

Second, the US parks have the advantage of being large tourist attractions in their areas. This means that Walt Disney World in Florida can use data on the number of cars crossing the state border to calculate what proportion is likely to visit the park. By contrast, Euro Disneyland is only one of dozens of attractions in Paris.

The immediate challenge for Euro Disney is to increase attendance. In some respects it is not surprising that its performance in the economically sluggish early 1990s has not met the targets set in the bullish late 1980s. But Euro Disney also needs to identify which parts of its package should be adapted to suit European taste.

The catering arrangements have already been changed to increase the availability of fast food. Euro Disney is now in discussions with tour operators to change its hotel rates for next year. It is also negotiating winter hotel discounts and organising an autumn promotional programme for France.

Meanwhile analysts are bracing themselves for this year's results.

Smith New Court in London anticipates a loss of at least FFr200m ($39m) for the current financial year, possibly followed by a worse performance next year, which will include the first winter trading period.

Euro Disney does at least have the consolation that it has performed better than Tokyo Disneyland, the only other Disney park outside the US.

Tokyo attracted just 2.5m visitors in its first 102 days, against 3.6m for Euro Disneyland, and 10.5m visitors in its first year.

There is a possibly apocryphal story that a man arrived at Euro Disneyland and, once inside, changed into the costume of a Smurf, a cartoon character from a rival theme park. Children rushed up to cuddle the Smurf only to burst into tears as the security staff ejected him.

An interloping Smurf is the least of Euro Disney's problems.

Wellcome in moves to bolster demand for issue

By Maggie Urry in London

WELLCOME Trust, the charity which is selling around half its 73.5 per cent stake in Wellcome, the drugs group, said yesterday that it would not sell shares below 800p. It also said it would set the size of the issue with the aim of creating a successful after-market.

Robert Fleming, the merchant bank handling the global share sale, also reported progress in identifying dealers who had sold Wellcome shares short, thus pushing the price down and reducing the likely proceeds to the trust.

Although selling short is perfectly legal, there is some anger that these dealers have profited at the trust's expense and they will not be allocated stock in the sale, forcing them to buy in the market to close their short positions.

One fund management group whose name was thrown up by Section 212 notices sent out by the company was EBC AMRO International Investment Management. Its pattern of dealings since May shows large sales of Wellcome shares and then purchases at lower prices.

The trust's announcement was designed to bolster demand for the global tender for the shares which closes at 5pm in London today. By suggesting that supply of stock will be limited, the trust might encourage bidders for stock to ask for more in anticipation of being scaled down.

Some institutions increased bids following the announcement. The shares rose 2p to 830p yesterday.

Investors putting in tender offers have to "go firm" by the 5pm close. At that point their bids must either state a fixed price in pence or be good at the strike price set by the trust on the basis of demand for shares. The strike price will be set over the weekend and trading will begin on Monday morning.

Fund managers in the UK yesterday were positive about the shares. One said: "We are positive about the sector and the company."

In June the trust indicated that it would sell 330m shares, but reserved the right to increase or reduce the issue size.

Originally it said it could sell as many as 417m shares which would cut its stake to 25 per cent. It has said it would not proceed with the sale if could not reduce its holding to below 50 per cent.

Lex, Page 18

Salomon proves resilient as earnings achieve record

By Patrick Harverson in New York

SALOMON, the Wall Street securities house, yesterday reported second-quarter after-tax operating earnings of $375m, the best three-month performance in the group's history and the clearest sign yet that it has recovered from last year's bond trading scandal.

However, the burden of a special $185m charge to cover costs related to the settlement of the bond market-rigging allegations reduced net income to $211m.

Even with the charge, net income was still higher than a year ago, when Salomon reported a profit of $178m, thanks partly to the return to profitability of Phibro Energy, the group's oil trading and refining subsidiary.

The second-quarter charge, taken alongside the $200m charge the company took in the third quarter of 1991, means Salomon has set aside a total of $385m to cover the costs related to the scandal.

A large part of that reserve has gone towards paying the $290m in fines and compensation levied on Salomon as settlement of allegations that the firm broke Treasury rules during bond auctions in 1990 and 1991. The remainder will help pay for the penalties and legal costs of the lawsuits filed against the company in the wake of the scandal.

Deryck Maughan: core bond business was very strong

Under the new leadership of chairman Mr Deryck Maughan, the securities subsidiary, Salomon Brothers, provided the bulk of Salomon's profits during the second quarter. Such was the strength of the firm's underlying performance, that if the charge and taxes were excluded, Salomon Brothers' earnings totalled $647m in the three months, the highest recorded by a publicly held US securities firm.

Against the background of a highly favourable interest rate environment, strong sales and trading activity in Salomon Brothers' core bond business made the biggest contribution in the quarter.

Even investment banking, hardest hit by the uncertainties surrounding the bond trading scandal, staged a recovery, with revenues exceeding the preceding two quarters due to the heavy flow of corporate bond issues.

On the oil trading and refining side of Salomon, Phibro recorded pre-tax earnings of $19m in the quarter, a turnround from the losses of the previous six months. Most of its revenues came from its crude oil trading and derivatives department.

Isosceles to alter capital structure

By John Thornhill in London

ISOSCELES, owner of the struggling Gateway supermarket chain, yesterday confirmed details of a refinancing deal that would allow it to step up its development programme with a view to floating the business in 1995.

As part of the agreement the UK company is proposing to reorganise its capital structure, substantially diluting its ordinary equity.

Isosceles implicitly accepted the bankruptcy of the Gateway brand as it said it intended to convert most of its 650 stores into Food Giant discount superstores and Somerfield fresh food outlets.

In the next three years, Isosceles intends to open 150 Somerfield stores by converting Gateway stores and opening new sites. It is also experimenting with other chains such as So-Lo discount stores, David Greig and the Gateway Village convenience stores. The company still intends to sell Herman's, its US sporting goods chain, and Wellworths, its grocery chain based in Northern Ireland.

The company's capital expenditure budget will remain at about £100m ($190m) in the current year although it has also won the right to spend a further £30m of any money it raises from disposals.

Isosceles's preference shares will be converted into ordinary shares as part of a "tidying-up exercise", but holders of the mezzanine debt will also be issued with warrants to subscribe for 20 per cent of the fully-diluted ordinary share capital at 1p per share

Interest payments on the mezzanine debt will continue to be rolled up until February 1993 under more flexible arrangements.

The deal has been agreed by the 50 banks which hold the company's senior debt and its mezzanine debt holders. The main holders of the ordinary equity have also accepted the amendments.

Elf leads east German oil project

By William Dawkins in Paris

ELF Aquitaine, the French oil group, and Thyssen, the German steel and engineering group, yesterday confirmed that they had won a DM6bn ($4.5bn) contract to take over and modernise eastern Germany's main petrol station network and build an oil refinery there.

Elf, majority owned by the French government, is to take full control of Minol, which owns more than 1,000 filling stations in eastern Germany, or 74 per cent of the market.

Elf will also have two-thirds control of a joint venture to build one of Europe's largest oil refineries, with a capacity of 10m tonnes a year. The facility is scheduled to open in 1996 at the Leuna chemical complex. Thyssen will hold the remaining third of the joint venture.

This is the largest Franco-German investment since the second world war and confirms an outline deal struck in January with the Treuhand, the body handling eastern German privatisations. The project will support between 6,000 and 10,000 jobs in the east.

The deal reinforces France's position as the biggest foreign buyer of privatised eastern German companies, with FFr7.7bn ($1.54bn) of investment since unification, not including the Elf deal.

However, western German buyers hold 95 per cent of the privatised eastern companies, in spite of the Treuhand's efforts to stimulate more foreign interest.

Elf and Thyssen won the deal in competition against two rival groups, one headed by British Petroleum and Italy's Agip oil concern, and the other involving Middle Eastern interests including Mannai Corp and Kuwait Petroleum.

The acquisition of Minol, which will function under Elf's brand name, will double the French company's 4 per cent share of the overall German filling station market. This would lead to an inevitable loss of market share by Minol as competition from other distributors builds up in the east, said Elf officials.

Of the total DM6bn investment, DM4.3bn will go on the Leuna refinery. Elf and Thyssen are taking over a petrochemicals producer at Zeitz, near Leuna, and Elf also plans to buy on the site a formaldehyde resin plant, which uses methanol.

Elf and L'Air Liquide, the French industrial gases producer, plan to build a plant at Leuna to make hydrogen peroxide – used in bleach and disinfectant.

Leuna already has two inefficient and polluting oil refineries which will continue production until the new plant is ready. The Treuhand will then take them over and arrange for their dismantling.

Elf also plans to discuss with local partners the possible construction of an oil pipeline from the port of Rostock to feed the refinery.

Benetton poised for assets swap

By Haig Simonian in Milan

BENETTON, Italy's biggest clothing group, is poised to swap assets with Edizione Holding, the private company controlled by the Benetton family.

However, Benetton stressed the changes, expected to be announced on Monday, had nothing to do with the resignation on Wednesday of Mr Emilio Fossati, managing director.

Shares in Benetton fell for the second day yesterday after confusing press reports and uncertainty about its plans. Benetton's stock fell L356 to L10,432, making an 8 per cent fall since Tuesday.

Mr Fossati's departure highlights Benetton's difficulties in retaining top managers. In late 1990, Mr Carlo Buora, finance director, left after less than a year in the job.

Analysts attribute the brevity of some managers' stays to cultural and family problems, linked to Benetton's location near Treviso, an unexciting town of 85,000 near Venice. Many executives coming from centres such as Milan leave their families behind and commute home at weekends.

Conflicts with the Benettons, who own about 80 per cent of the shares and remain the company's guiding spirits, may be inevitable. Though the family wants to attract top managers, decision-making remains with them.

In 1987, the family opposed plans by Mr Aldo Palmeri, the then managing director, to buy Lanerossi, a financially-troubled textiles producer.

However, avoiding acquisitions and keeping its own assets to a minimum have been key to Benetton's success. Most production is contracted out, while shops are run by independent retailers on a licensing basis.

First half net profits, due in September, are expected to rise 15 per cent to about L92bn ($81.5m), with sales 6 per cent ahead at L1,220bn.

US chemical unit advances 39% to $170m

By William Dawkins in Paris

RHONE-POULENC Rorer, the US pharmaceuticals subsidiary of Rhône-Poulenc, the French state-owned chemicals group, yesterday reported a 39 per cent rise in net profits for the first six months of this year.

Rhône-Poulenc Rorer's net earnings rose from $122m in the first half of last year to $170m in the six months to the end of June. This was on sales up by 6.7 per cent to $1.87bn, excluding currency changes and the disposal of non-strategic product lines.

The group, formed two years ago from the merger of Rhône-Poulenc's pharmaceuticals division with Rorer, the US drugs company, plans to invest more than $500m on research and development in 1992.

Sales growth was generally spread across the group's main markets, although US sales were affected in the second quarter by destocking by wholesalers. However, demand for the group's main prescription drugs continued to grow.

Mr Robert Cawthorn, chairman, was satisfied with this performance in a "challenging environment". The group was on track to meet its earnings objectives in the current half, he said. Earnings per share rose from 89 cents to $1.24.

French bank to take 20% stake in Aerospatiale

CREDIT Lyonnais, one of France's leading nationalised banks, will acquire a 20 per cent stake in Aerospatiale, the state-controlled aerospace concern, AP-DJ reports from Paris.

The Economics Ministry said the move was designed to strengthen the competitive positions of the two companies, and to enable Aerospatiale to pursue the costly development of new aircraft and missiles.

Under the terms of the agreement, Crédit Lyonnais will inject FFr1.4bn ($280m) into Aerospatiale through a capital increase. The French government will give Crédit Lyonnais some of the shares it owns, so that the bank will hold 20 per cent of Aerospatiale's equity.

Aerospatiale, which has borrowings of around FFr14bn, last year made a net profit of FFr213m

Disney boosted by film and consumer product arms

By Karen Zagor in New York

STRONG gains from Walt Disney's film and consumer product divisions propelled the company's third-quarter net earnings 33 per cent higher on revenues which grew 23 per cent.

For the three months to end-June, Disney posted net income of $220.8m, or 41 cents a share, on revenues of $1.85bn. The results compared with earnings of $165.5m, or 31 cents, in the second quarter of last year, on revenues of $1.51bn.

The strongest boost to Disney's earnings came from its film division, where operating income jumped 70 per cent to $134.3m, against $79.1m a year earlier. The increase came on the back of a 21 per cent improvement in revenues to $723.8m, against $597.1m.

The company's theme park division saw a 10 per cent improvement in operating income to $194.3m from $176.5m, on revenues which rose 17 per cent to $890.5m, against $759m.

The theme park results benefited from the Easter holiday falling in this year's third quarter. A year earlier, only part of the Easter period was in the third quarter. Investment in Euro Disney cut into the strong results from domestic theme parks and resorts.

Disney's consumer products business posted a 31 per cent increase in operating income to $60.8m, on revenues which climbed 54 per cent to $239.2m.

For the first nine months, the company had net income of $593m, or $1.11 a share, against $462.6m, or 87 cents, in the year-earlier period. Revenues were 23 per cent higher at $5.45bn.

Lex, Page 18

Banco Santander shows improvement

By Peter Bruce in Madrid

BANCO Santander, Spain's most aggressive commercial bank, yesterday reported net profits of Pta43.2bn ($452.8m) for the first half of 1992, up 17.3 per cent on the same period last year. Pre-tax profits rose 17.5 per cent to Pta58.2bn.

The bank said lending margins had increased 4.35 per cent and fee-based income by 25 per cent, leading to a 9 per cent rise in operating profits at Pta129.3bn.

Mr Emilio Botín, chairman, said management had made cost-cutting a priority this year. "As a result, significant savings have already been achieved, and the growth in operating expenses for the second half of the year should be significantly lower."

Santander's income from mutual fund management rose 55 per cent to above Pta800bn. It claims to control more than 13 per cent of the Spanish unit trust market.

Meanwhile, Banco Exterior, the state-controlled commercial bank at the heart of the state's new banking group, Argentaria, has reported a 16.4 per cent rise in first-half net income, to Pta15bn.

Exterior said its operating costs, including personnel, had grown 4.8 per cent to Pta32.6bn but this might reflect the added costs of incorporating BCI, the state industrial credit bank, earlier this year

Earlier, Banesto, another of the country's key retail banks, reported net profits among its financial group of Pta26.2bn for the first six months of 1992, a 3.76 per cent increase.

The bank said first-half results, which exclude its industrial affiliates, showed gross operating profits up 18.62 per cent to Pta65bn after a sharp drop in operating costs.

INTERNATIONAL COMPANIES AND FINANCE

Net income plunges by 45% at ITT

By Martin Dickson in New York

ITT, the US conglomerate, yesterday reported a 45 per cent drop in second-quarter net income, due mainly to sharply lower earnings at its ITT Hartford insurance subsidiary, accounting adjustments and restructuring action at the Sheraton hotels business.

The group reported net income of $106m, or 75 cents a share, compared with $194m, or $1.43, in the second quarter of 1991. Sales rose 4 per cent to $5.36bn.

Net income would have been $131m, or 95 cents a share, compared with a restated $206m, or $1.53, if the non-cash accounting adjustments were excluded.

The figures also included after-tax portfolio gains at ITT Hartford and ITT Financial of $22m, or 17 cents a share, compared with $6m, or 5 cents, in the same period of last year.

ITT Hartford saw income drop from $117m to $41m. The company said this was "mainly due to unfavourable adjusted underwriting income caused by higher catastrophe losses, largely from several weather related events, along with continued adverse developments in workers' compensation and reinsurance".

ITT Sheraton had an operating loss of $14m, against a profit of $15m, after restructuring its headquarters operations to make them more efficient. Excluding this charge, the company would have reported a small profit, although still below last year.

Among the group's seven other major businesses, the automotive, financial and communications operations produced higher operating income; fluid technology and the Rayonier paper business were flat; and the defence and components businesses showed drops.

For the six months ITT reported a net loss of $336m, or $2.62 a share, after taking a $580m non-cash accounting adjustment. In the first half of last year it made $406m, or $2.99 a share. Sales rose 3 per cent to $10.44bn.

Weak demand hits US oil groups

By Alan Friedman in New York

EXXON, the largest US oil and gas company, and Texaco, the third ranked company, yesterday reported lower second-quarter net earnings as the squeeze on petroleum product margins and weak demand continued to take a toll on the US energy industry.

The Texas-based Exxon suffered a 15.1 per cent drop in second-quarter net earnings, to $955m. This is the lowest quarterly net profit for the company since 1989, the year of the Alaskan oil spill from the Exxon Valdez.

Exxon's earnings per share were down to 76 cents from 90 cents a year ago. Revenues in the quarter were 1.8 per cent higher at $27.76bn.

For the first six months of 1992 Exxon's net income was down by 31.5 per cent at $2.3bn, on revenues that were 4 per cent lower at $55.67bn.

Texaco of White Plains, New York, said its second-quarter net income was $245m, a decline of 8.9 per cent. Earnings per share were 85 cents, against 94 cents in 1991. Revenues were 4.4 per cent higher at $9.4bn.

For the first half of 1992 Texaco's net earnings were 34.9 per cent lower at $445m, on revenues that were 6.3 per cent down at $18bn.

The second-quarter net profit at Occidental Petroleum, based in Los Angeles, was nearly halved – from $147m, or 49 cents a share, a year ago to $75m, or 25 cents. Revenues were $2.2bn, against $2.4bn.

For the first six months Occidental, undergoing a substantial restructuring programme, suffered a 38.7 per cent drop in net income, to $173m. Revenues were down to $4.3bn from $5.2bn in the first half of 1991.

The drop in earnings at these companies continues a trend started on Wednesday, when Amoco, the fifth largest US oil and gas company, reported a 22.5 per cent fall in underlying second-quarter earnings and a $478m net loss after taking an $805m charge for restructuring and severance payment costs.

Mr Lawrence Rawl, Exxon's chairman, said the group's performance was affected by lower petroleum product margins, which were in turn affected by rising crude supply costs, weak economic conditions and soft demand in many markets.

Earnings from exploration and production operation were $83m higher at $725m while income from the refining and marketing side slumped by $352m to $180m, due mainly to problems in the US market.

Included in the second-quarter results was a $75m charge for restructuring Exxon's US oil and gas businesses.

The tendency of energy companies to direct exploration spending away from the US was illustrated by Exxon's devoting 70 per cent of its worldwide capital and exploration expenditures to projects outside the US.

Mr James Kinnear, chief executive of Texaco, stressed the company's effort to maintain the strength of its financial position in the face of generally weak industry conditions. He said Texaco expected to produce full-year cash savings of around $700m from reductions in planned capital spending and expenses.

On Wall Street, Exxon's share price was $¼ higher at $62¼; Texaco's price was $¼ improved at $62¾; and Occidental's price was $¼ lower at $19½.

Fairfax expects to beat profits forecast

By Kevin Brown in Sydney

JOHN Fairfax Holdings, the Australian newspaper group, expects to exceed the profit forecast for 1991-92 that was published in its pre-flotation prospectus earlier this year.

Mr Dan Colson, acting chief executive, said earnings should be comfortably ahead of the forecast in spite of the Australian economy's slow recovery from recession. Fairfax, which is 15 per cent owned by Mr Conrad Black's UK-based Daily Telegraph group, had forecast pre-tax profits of A$123m (US$91.7m) for the year to the end of June, followed by A$165m in the current year.

Mr Colson said the directors were very optimistic. He confirmed that Fairfax was considering building a printing plant in Sydney to enable the group to compete more effectively with newspapers published by Mr Rupert Murdoch's News Corporation.

The plant, which would cost about A$200m, would have the capacity to print colour news pictures.

Mr Colson said Fairfax would probably appoint a chief executive within the next few weeks. Fairfax has been without a chief executive since December, when it was acquired for A$1.4bn by a consortium led by Mr Black. The group was put into receivership in 1990 after an abortive buy-out of family shareholders by Mr Warwick Fairfax.

The group publishes the Sydney Morning Herald, The Australian Financial Review, and The Age in Melbourne. It is the principal competitor to News Corporation.

● GIO, the insurance group privatised by the state government of New South Wales, closed at A$2.53 after its first day of trading on the Australian stock exchange yesterday. The closing price represented a premium of 5.4 per cent to the flotation price of A$2.40, slightly less than expected.

The shares opened at A$2.68, but lost ground in a falling market. Southern Cross Airlines, which plans to relaunch the collapsed Compass Airline operation next month, closed at 40 cents after listing at 45 cents. The closing price represented a discount of 20 per cent to the price at which the shares were floated.

RJR Nabisco helped by cut in interest expenses

By Nikki Tait in New York

RJR NABISCO, the US tobacco and food group taken private through a $25bn leveraged buy-out in 1989, yesterday posted second-quarter profits of $87m after-tax, up from $79m a year earlier.

The gain came from the reduction in interest expenses, partly offset by an extraordinary loss of the early extinguishing of debt.

Mr Lou Gerstner, RJR's chairman, noted that since the start of 1992, some $2bn of high-cost debt, carrying an average coupon of 14 per cent, had been refinanced at more favourable rates.

Operating profits slipped to $768m from $773m in the same period a year earlier, although total sales were up from $3.78bn to $3.98bn.

RJR blamed the tough competitive environment in the consumer goods sector. It had made significant investment in the domestic tobacco business which had restrained operating income.

On the tobacco front, RJR saw operating profits of $580m from domestic operations, down from $612m, while international contributed $134m, against $116m. Total sales were $2.33bn compared with $2.21bn.

In the food division, operating profits rose from $228m to $240m, on sales of $1.65bn against $1.57bn last year. The company said results were led by volume increase in US biscuits and crackers, and benefited from strong performances in Latin America, including recently-purchased operations in Mexico and Brazil.

RJR Nabisco made after-tax profits of $72m in the first six months, after a $281m charge for extinguishing debts early. In the same period a year ago, the after-tax profit was $84m.

Brazil puts brake on Whirlpool growth

By Nikki Tait

WHIRLPOOL, the world's largest manufacturer of large domestic appliances and now the full owner of the former Philips appliance business in Europe, saw an 8 per cent decline in second-quarter profits, to $53m after tax.

Sales rose to $1.84bn from $1.77bn.

The Michigan-based group blamed the drop on economic and political difficulties in the Brazilian market. Operations there broke even in the quarter, having contributed about 13 cents a share in the same quarter the previous year.

Whirlpool said that, without this setback, it would have seen second-quarter profits rise by some 11 per cent.

The second-quarter figures still mean Whirlpool is showing a net profit of $88m for the first half, compared with $82m in the first half of 1991. Sales for the six months were $3.55bn, compared with $3.38bn.

Mr David Whitwam, chairman, admitted that "despite some recent positive market indicators, the short-term outlook in Brazil remains uncertain".

He also said the quarterly performance in the core US market lagged slight behind 1991. "Like others, we await, but are not yet seeing, sustained recovery in the North American economy. Economic indicators continue to be mixed."

Mr Whitwam suggested that consumer confidence, having improved earlier in the year, appeared to have stagnated, while competition between manufacturers remained "intense".

Appliance industry shipments in North America rose by over 5 per cent in the second quarter.

Whirlpool expects third and fourth-quarter shipments to show increases, and predicts total 1992 industry shipments will be up by more than 6 per cent.

In Europe, Whirlpool International's performance was described as "solid" in revenue terms, despite the modest decline in industry shipments. Margins improved "significantly".

"The anticipated recovery in the overall European market has been slow to materialise," commented Whirlpool.

David Whitwam: 'US market lagging'

Intel delays launch of next-generation chip

By Louis Kehoe

INTEL, the leading manufacturer of microprocessor chips, said it would delay the introduction of its next-generation product, code-named P5, until the first quarter of 1993 to allow more time for testing.

The P5, which will be renamed before its official launch, is the latest version of Intel's widely used microprocessor family, which includes the 386 and 486 devices that power most personal computers. Intel had planned to launch the P5 during the fourth quarter of 1992.

Mr Paul Otellini, vice-president in charge of Intel's microprocessors, said the delay did not mean that there were problems with the P5.

"We have [prototype] parts running in multiple systems at Intel and with key customers. Sampling to a broader range of customers will not be delayed," he said.

However, by delaying full-scale production of the P5, Intel will allow more time to refine its manufacturing process, improve yields and avoid the bugs that have plagued new microprocessors in the past.

Despite Intel's statements, analysts suspect that Intel has encountered technical problems, forcing it to delay full-scale production.

Intel is facing rising competition in the high-performance end of the microprocessor market from makers of reduced instruction set computing (Risc) microprocessors. The P5 is Intel's response to this competition.

● Microsoft, the world's largest provider of software for personal computers, reported a 52 per cent increase in fourth-quarter profits of $210.1m, or 48 cents a share, writes Patrick Harverson in New York.

The final quarter took Microsoft's earnings for its fiscal year to $708m, or $2.41 a share, well up on the $463m earned in fiscal 1991.

BCE shows 20% downturn

By Robert Gibbens in Montreal

BCE, the biggest Canadian telecommunications group, said the recession and lower profits at its Northern Telecom subsidiary caused a 20 per cent decline in second-quarter profits. For the first half, earnings were down 9 per cent.

However, despite slow economic recovery, BCE expects improved performance in all sectors in the second half.

The second-quarter performance was also affected by write-downs at its Montreal Trustco financial services arm. Final earnings were C$246m (US$205m) or 72 cents a common share, against C$307m, or 92 cents, a year earlier. Operating revenues were C$4.97bn against C$5.05bn.

First-half earnings were C$544m, or C$1.60 a common share, against C$600m, or C$1.80 a share, a year earlier, on revenues of C$9.84bn against C$9.78bn.

BCE said first-half telecommunications earnings were flat because of the recession.

Bell Canada, the telecommunications utility providing most of BCE's earnings, saw slower growth. Its first-half profit gained a modest 1.2 per cent and operating revenues rose 2.4 per cent.

Bell Canada contributed C$453m, or C$1.47 a share, to BCE's first-half earnings, unchanged from a year earlier. Northern Telecom contributed 34 cents per BCE share against 38 cents.

3M breaks run of five declines

By Barbara Durr in Chicago

MINNESOTA Mining and Manufacturing, the diversified US manufacturer known as 3M, broke a string of five quarterly declines in the three months ended June 30.

The company reported net income of $322m, or $1.47 per share, up 7.6 per cent from $299m, or $1.36 per share, a year ago.

With nearly half its sales overseas, 3M has been suffering from negative currency effects. But these were offset during the second quarter by a 6 per cent gain in unit volume, improved productivity, lower raw materials costs and a decline in its tax rate.

Mr L.D. DeSimone, chairman, said US unit sales registered their best gain in six quarters with a rise of about 3 per cent. Outside the US, sales increased about 8 per cent.

During the first half, net income rose 1.9 per cent to $610m, or $2.79 per share, compared with $599m, or $2.73 per share, a year ago. Sales were up 2.5 per cent to $6.9bn from $6.7bn last year.

Alcan halves its dividend

By Robert Gibbens

ALCAN Aluminium is cutting its quarterly dividend to 7.5 cents US per share from 15 cents US with the September 21 payment to conserve cash in the face of "difficult business conditions and an uncertain outlook".

This is the second reduction during the present industry down cycle. Alcan had maintained 15 cents US for the past four quarters.

On July 13 Alcan reported a loss of US$40m or 22 cents a share on revenues of US$3.83bn, against a loss equal to 7 cents a share in the 1991 period.

Buffett buys 15% of US group

By Martin Dickson

GENERAL Dynamics, the US defence group which is slimming down, yesterday received a powerful endorsement of its strategy when Berkshire Hathaway, the investment group led by Mr Warren Buffett, announced the acquisition of a 15 per cent stake in the business.

Mr Buffett is one of the most highly regarded investors in the US and tends to take large stakes in companies for the long term.

His acquisition of 4.35m shares in General Dynamics will have cost about $300m.

The company's share price rose $1⅝ to $75¼ yesterday morning on the New York stock exchange.

General Dynamics recently carried out a Dutch auction tender offer to buy back 13.2m of its shares at a price of $72.25 a share under its commitment to return to investors much of the excess cash the business is throwing off.

Most of this cash is coming from a programme to dispose of peripheral businesses and concentrate on four core sectors of the defence business.

Mr William Anders, chairman and architect of the new strategy, said yesterday he was pleased with Berkshire Hathaway's expression of confidence in the company and its new management team.

Members and trusts of Chicago's Crown and Goodman families, which have long held a large stake in General Dynamics, reduced this from 22 per cent to about 14.4 per cent under the Dutch auction.

Trading starts in Thai Air shares

THAI Airways International, the national airline whose shares began trading on the Bangkok Stock Exchange yesterday – and offered to the public at Bt60 a share – traded between Bt61 and Bt64.50, Reuter reports from Bangkok.

Brokers and analysts said the price was in line with expectations. Mr Eric Halmon of Premier Finance and Securities, the local brokerage, said: "The opening is a bit low but not a major surprise."

Bank of East Asia 31% ahead

By Simon Holberton in Hong Kong

BANK of East Asia, Hong Kong's third largest listed bank, yesterday reported near 31 per cent growth in first-half net earnings.

Profit, struck after transfers to unpublished inner reserves, was HK$162.7m (US$21m) compared with HK$124.4m a year earlier, and broadly in line with market expectations. The bank published no other figures relevant to its business.

The directors declared an interim dividend of 27.5 cents a share, up 31 per cent from the equivalent of 21 cents paid at the same time last year.

Bank of East Asia, controlled by Hong Kong's Li family, is traditionally the first of the colony's listed banks to report its earnings. Hongkong Bank and Hang Seng Bank are expected to publish half-year results in a month's time.

All banks are expected to report greatly improved earnings. Hong Kong is one of the most profitable centres for commercial and personal lending. Gross interest margins are about 5 percentage points.

Deposit rates are being kept artificially low to support the Hong Kong dollar's fixed rate against the US dollar, while lending rates are set abnormally high to put pressure on the colony's overheated property market.

Mr David K. P. Li, the bank's chief executive, said economic growth in Hong Kong had accelerated in the first half of this year. The sustained boom in the property market had resulted in stable growth in mortgage lending business, he said.

Steady growth in domestic demand was expected.

Mr Li added that it was expected that the current year's results would compare satisfactorily with those of last year.

During the period, two of the bank's representative offices in China – in Guangzhou (Canton) and Zhuhai – had received approval to convert to branches. In August it plans to open a representative office in Dalian, Liaoning province.

In Hong Kong, a further branch was opened in March, taking its high street representation to 61 branches.

Joint bid for Australian telephone unit

By Kevin Brown

THE Australian government said yesterday it had received a joint bid for the national telephone directory service from Australia Post and GTE Corporation, the US telecommunications group.

The offer would remove control of National Directory Services (NDS) from Australia and Overseas Telecommunications Corporation (AOTC), the government-owned telecommunications carrier. Australia Post, which is government owned, would not comment.

The bid would provide an initial payment of A$400m, (US$298.5) followed by further payments of up to A$2bn over 15 years, depending on performance. The bid offers the Labor federal government a small contribution towards reducing the 1992-93 budget deficit, expected to exceed A$10.5bn, following a deficit of more than A$9bn in the year to June.

However, it is likely to be opposed by backbench Labor MPs because it would transfer majority ownership of NDS to GTE, which would hold a 52 per cent stake through its subsidiary GTE Directories Corporation.

The bid will be opposed fiercely by AOTC, which said it had not seen the proposal and claimed that overseas experience showed it would be a mistake to split the directory service from the main telecommunications carrier.

New Zealand chemicals group advances 59.9%

By Terry Hall in Wellington

FERNZ Industries, the New Zealand-based chemical and fertiliser group, yesterday reported a 59.9 per cent rise in net profits to $NZ25.28m (US13.8m), in spite of lower than expected profits in its Australian operations.

Turnover rose 26.7 per cent to NZ$379m, of which NZ$139.41m was generated in New Zealand, NZ$205.45m in Australia and NZ$34.21m in other markets. Recovery in New Zealand agriculture saw fertiliser output rise 20.3 per cent to 332,259 tonnes. Directors said demand accelerated in the second half, due to rising farm incomes.

Turnover in the company's industrial chemicals business rose 37.8 per cent to NZ$66.79m. The main contributing factors were a second chlor alkali plant in west Australia and the Kinleith chemical complex in New Zealand which saw increased demand for its preservative chemicals.

Turnover in agricultural chemicals and animal health products rose 28 per cent to NZ$230.6m. Directors said the majority of that business was conducted in Australia and earnings were complicated by fluctuating exchange rates.

International sales rose by NZ$10m last year. However, Australian profits were affected by the most severe drought in Queensland and New South Wales in 10 years.

Directors said that although business opportunities improved in the second half, sales there for the 12 months were A$7m (US$5.2m) below forecast, due to competition.

Earnings per share rose 37 per cent to 48 cents.

The directors recommended a final dividend of 13 cents a share, up from 12 cents last year.

Daiichibo considers sale of factory

By Gordon Cramb in Tokyo

DAIICHIBO, an Osaka textile company struggling to recover from the collapse of a trading offshoot and an ill-fated expansion into commercial property, has raised with its creditors the possible sale of its main factory.

Such a move would be extremely unusual for a Japanese manufacturing company. Daiichibo stressed yesterday the sale was only one option for restructuring under discussion with the lenders.

Nonetheless, it illustrates the harshness of choices facing many medium-sized Japanese companies as the consequences of a more than two-year property and equity price slide take hold.

Daiichibo, with annual sales of about Y60bn ($480m), fell into a net loss of Y22.2bn for the year to March, from modest post-tax profits of Y219m the year before. It passed its dividend, blaming extraordinary losses on uncollectable accounts.

Then this month Ichibo Shoji, a subsidiary, was put into liquidation after its main customer went bankrupt. Daiichibo, faced with a negative net worth because of its responsibilities to this debt, has been trying unsuccessfully to sell a shopping centre in the Osaka region.

Its shares on the second section of the Osaka Stock Exchange, meanwhile, have been sliding; the price halved last week and closed yesterday at Y115, down Y4, to value the company at some Y2.3bn.

In talks this week with creditors, led by Sakura Bank, Daiichibo sought a deferral of Y2bn in interest payments due this year.

Japanese commercial banks are coming under strain from increasing numbers of such requests, and the country's financial authorities have begun signalling that meeting these is not always justified.

Pakistan to sell 51.3m gas shares

By Farhan Bokhari in Islamabad

GOVERNMENT shares worth about Rs2bn ($89m) in Sui Northern Gas Pipelines (SNGPL), Pakistan's leading gas company, will be offered for sale to the public on Monday, in one of the country's most important privatisations.

The government will sell 51.27m shares with a nominal value of Rs10 per share at Rs40.15 per share.

Negotiations are going ahead with several international gas companies for the sale of 34.18m shares at a price not less than that being offered to the public. British Gas, Novacorp of Canada and Sofregaz of France are contenders.

The government will allow foreign investors to repatriate principal and capital gains, provided the shares are paid for in foreign exchange.

Last year, the company earned Rs395.2m in pre-tax profits. Net assets were worth about Rs8.46bn

Treasuries surge as unemployment figures surprise

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices jumped sharply at the long end of the market yesterday in the wake of a bigger-than-expected rise in unemployment claims.

By midday, the benchmark 30-year government bond was up ⅞ at 105¼, yielding 7.546 per cent. The two-year note was also firmer, up ¼ at 101⅞, yielding 4.150 per cent.

The heavy buying of bonds was sparked by the Labor Department's announcement that claims for state unemployment insurance had risen by 19,000 in the week ending July 11, more than double what analysts had been expecting.

Continued weakness in the labour market, allied to the positive comments on the outlook for inflation from Mr Alan Greenspan, chairman of the Federal Reserve, earlier in the week, prompted a rush of demand for longer-dated securities from retail and speculative players in the market.

■ SPANISH government bond yields climbed yesterday after the Bank of Spain raised its key intervention rate from 12.4 per cent to 13 per cent.

The financial markets had been expecting a rise in rates after the government announced a tough package of fiscal restrictions on Tuesday, but the increase in the intervention rate was bigger than expected. "We'd been expecting a 25 basis point rise; instead we got 60 basis points," said one dealer.

Bond yields rose during the day, with the 10-year benchmark bond yielding 12.39 per cent gross, against Wednesday's close of 12.3 per cent.

■ THE announcement of lower-than-expected inflation in North Rhine-Westfalia boosted German government bond prices and sparked fresh buying of bunds by investors.

Consumer prices were unchanged in the month to mid-July, and were 3.3 per cent higher year-on-year. By comparison, the year-on-year inflation rate in June was 4.3 per cent.

GOVERNMENT BONDS

The Liffe bund futures contract rose from its opening of 87.25 to 87.36 by late afternoon.

■ UK government bonds ended slightly weaker, shrugging off yesterday's rise in Spanish interest rates.

Dealers said the gilt market remained well-supported, with investors concentrating on the weakness in the UK economy and the fall in inflation.

"News that the government plans to tighten control of public spending helped to reassure gilts early in the day," said one dealer, although gilts later slipped back following some of the European bond markets.

The Liffe gilt futures contract opened at 98.28 and traded at 98.20 by late afternoon. In the cash market, the 11¾ per cent gilt due 2003/07 slipped from 116⅞ to 116⅝. The recent auction stock, the 9 per cent gilt due 2012, slipped from 101⅞ to 101⅝.

■ JAPANESE government bonds closed higher on expectations of an imminent cut in the official discount rate, and helped by a fall in short-term interest rates.

News that top government officials will meet today to discuss measures to support the weak stock market fuelled speculation that the Bank of Japan may soon cut the official discount rate (ODR), currently at 3.75 per cent.

The plummeting Nikkei stock index recently reached its lowest level in six years, touching the 15,333 mark. Bond analysts expect the central bank to lower the ODR by up to three-quarters of a percentage point in order to help shore up the troubled equity market.

The yield on the benchmark No 129 JGB opened at 5.055 per cent and moved to 4.99 per cent, corresponding to the highest price for the bond since February 1989. The bond's yield closed at 5.0 per cent.

Dealers said the fall in the rate on three-month certificates of deposit, from 4.36 per cent to 4.32 per cent, encouraged domestic buying interest, with buyers concentrating on bonds with four- to five-year maturities.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	109.2310	+0.566	8.62	8.80	8.83
BELGIUM		9.000	06/01	100.2500	-	8.95	8.88	8.94
CANADA *		8.500	04/02	105.6500	+0.900	7.63	7.84	8.25
DENMARK		9.000	11/00	98.3700	+0.020	9.27	9.10	9.14
FRANCE	BTAN	8.500	03/97	98.9489	+0.144	9.31	9.16	9.05
	OAT	8.500	11/02	98.9500	+0.400	8.95	8.85	8.82
GERMANY		8.000	01/02	99.3500	+0.080	8.09	8.04	8.03
ITALY		12.000	05/02	92.6300	+0.450	13.81†	13.47	13.13
JAPAN	No 119	4.800	06/99	98.3181	+0.201	5.13	5.31	5.59
	No 129	6.400	03/00	107.7842	+0.474	4.99	5.16	5.39
NETHERLANDS		8.250	02/02	99.1300	+0.130	8.37	8.32	8.33
SPAIN		11.300	01/02	92.6000	-0.750	12.65	11.80	11.45
UK GILTS		10.000	11/98	102-09	-2/32	9.33	9.21	9.26
		9.750	08/02	104-09	+1/32	9.09	9.03	9.25
		9.000	10/08	100-27	+5/32	8.90	8.83	9.12
US TREASURY *		7.500	05/02	105-10	+20/32	6.75	6.91	7.25
		8.000	11/21	105-02	+19/32	7.57	7.66	7.86
ECU (French Govt)		8.500	03/02	94.0000	-0.510	9.46	9.06	8.99

London closing *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Shearson to take $84m charge

By Alan Friedman in New York

SHEARSON Lehman Brothers, the investment banking and securities subsidiary of American Express, is planning to write down a substantial portion of a three-year-old bridge loan to Prime Computer. It will record an $84m second-quarter extraordinary debit as a result.

The after-tax $84m charge stems from a decision by Shearson to take a $137m pre-tax write-down on a $500m bridge loan extended to Prime in 1989. The bridge loan, like many others at the time, was to have been converted into junk bonds, but this proved impossible when the junk market collapsed.

The write-down is something of an embarrassment for Shearson, which only a few months ago said it considered the loan as "money good".

In 1989, the bridge was originally part of a $1.3bn leveraged buy-out of the Massachusetts computer company, which was acquired by Whitney & Company, a New York venture capital firm backed by Shearson Lehman.

At the time of the loan, Shearson and its parent, American Express, jointly invested $66m in buying an equity stake in DR Holdings, the vehicle used by Whitney to acquire Prime. Last autumn, Shearson wrote down the value of its $66m equity stake to $10m

In 1991, after the plan to refinance the bridge loan by converting it into junk bonds failed, Shearson converted it from a cash repayment obligation into a payment-in-kind security, meaning that accrued interest of about $70m was added to the original loan.

The Shearson decision to write down the value of the loan comes a few weeks after Prime, advised by Lehman Brothers, revised the terms of a share offer aimed at raising $300m by the sale of nearly 16m shares at a price between $18 and $20 per share. The revised offer will be for 20m shares at a price of between $14 and $16.

American Express arrives with card-backed issue

By Simon London

AMERICAN Express yesterday launched its anticipated $1bn global issue of bonds backed by charge-card debt, the first securitisation by the US financial services group.

The issue was structured in equal tranches of five-year and seven-year paper. The bonds carry a top triple-A credit rating on the basis of $55m subordinated bonds, which will absorb any losses on the underlying charge card loans.

The shorter-dated bonds will be priced today to yield between 42 and 44 basis points over US Treasury bonds. The long-dated tranche will yield between 45 and 47 basis points over Treasuries.

Outstanding bonds backed by credit-card debt trade on a yield spread of over 50 basis points. Hence, the indicated pricing was seen as aggressive by new issue managers and likely to appeal only to US investors. However, participants in the deal reported steady buying in Europe and the Far East.

Lehman Brothers, which lead-managed the transaction and is owned by American Express, said the tighter pricing was justified by the characteristics of the underlying charge-card loans.

INTERNATIONAL BONDS

For example, American Express card-holders cannot maintain unpaid balances, so the pool of assets which backs the bonds turns over around seven times every year, compared with 1¼ times for a typical pool of credit-card debt. American also claims a lower default rate on its charge cards.

Elsewhere, Toyota Motor Credit, the consumer finance subsidiary of the Japanese carmaker, raised $250m three-year funding through a deal lead-managed by Swiss Bank Corporation.

The paper carries a 5 per cent coupon – one of the lowest coupon issues outstanding in the mainstream of the Eurodollar sector. The paper was re-offered to investors at a fixed price of 99.65, where the yield spread over US Treasury bonds was 35 basis points.

Although the bonds are not securitised, the deal drew comparison with the American Express transaction. The Toyota Motor Credit deal also carried a triple-A credit rating, and the main business of the issuer is consumer lending.

Both transactions benefited from the shortage of outstanding Eurodollar bonds trading below par. Since US interest rates have fallen sharply, most Eurodollar bonds in the three- to five-year maturity range are trading substantially above par. Toyota Motor Credit has existing bonds maturing in 1995 which trade as high as 109 per cent of face value in the secondary market.

The US Treasury market rallied again yesterday. The Toyota paper quickly rose above its issue price, prompting some participants to sell paper back to the lead manager at a profit.

However, genuine demand from both retail and institutional investors was enough to absorb most of the loose paper. At the close, the bonds were bid at 99.80, with the yield spread held at the launch level.

Another consumer finance subsidiary of a motor manufacturer, General Motors Acceptance Corporation, launched C$100m five-year deal lead-managed by Scotia-McLeod. The 7¾ per cent paper was priced to yield 107 basis points more than Canadian government paper of the same maturity. The bonds sold fairly well into a rallying market, although GMAC is a weaker credit, rated five notches below Toyota Motor Credit.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Crdt.Corp.(a)†	250	5	100.8375	1995	1⅜/1¼	SBC
Allsa No.6(d)‡†	200	(d)	100	1997	0.95/0.60	Nomura Intl.
Am.Express Master Tst.(c)	1bn	(c)	(c)	(c)	(c)	Lehman Brothers
YEN						
Mitsubishi Estate Co(a)†	50bn	5.9	101.80	1999	1⅞/1.7	Nomura Intl
Mitsubishi Estate Co(a)†	50bn	6	101.70	2002	2/1½	Nikko Europe
Tokyo Dome Corp.(b)	15bn	5.35	100	1996	30/15bp	Yamaichi Intl.
AB Spintab(e)‡†	15bn	(e)	100	1997	-	Daiwa Europe
SWISS FRANCS						
Oekofunds(a)†	170	7¼	102.25	2004	-	UBS
CANADIAN DOLLARS						
GMAC(a)†	100	7¾	100.75	1997	1⅞/1.55	Scotiamcleod Inc

★★Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Put option 10/11/1995 at par. c) Global issue of registered bonds. Two tranche issue. Tranche 1; $500m, Maturity 1997, fees 40bp. Tranche 2; $500m, Maturity 1999, fees 45 bp. Issue will be priced 24/7/1992 at an indicated yield spread of 42-44bp (Tranche 1), 45-47bp (Tranche 2). d) Coupon pays 110bp above 6 month Libor. Non-callable. e) Coupon pays 30bp over 3 month Yen Libor. Fees undisclosed.

Control Secs will not pay bond interest

CONTROL Securities, the UK property and leisure group suspended from trading on the London Stock Exchange since October, said yesterday it would not pay interest on a Swiss franc bond issue, writes Simon London.

In a brief announcement after the close of trading in London, it said a SFr7.5m ($5.7m) interest payment due on July 27 would not be met. A meeting of bondholders would be convened "to consider resolutions to be proposed".

Control has two Swiss bond issues outstanding: a SFr100m issue maturing 1994 and a SFr100m 8⅞ per cent issue maturing 1997. Both were lead-managed by Warburg Soditic, a subsidiary of the UK merchant banking group.

Control Securities' shares were suspended following raids on its offices by the Serious Fraud Office. Mr Nazmudin Virani, former chairman and chief executive, faces conspiracy charges relating to the collapse of the Bank of Credit and Commerce International.

Italian companies face credit rating scrutiny

By Richard Waters

THE CREDIT standing of Italy's two biggest state holding companies was yesterday put under review for a possible downgrade by Moody's and Standard & Poor's, the two leading international rating agencies.

The scrutiny of ENI and IRI marks the latest sign of concern in the international financial community over the break-up of Efim, another Italian state holding company. Italian authorities have said that Efim and its subsidiaries will not service their debts for up to two years while the group's assets are sold off.

"That happening to one of the leading holding companies has to make you ask about the others," said an analyst at Standard & Poor's.

Both credit rating agencies said their review was prompted by the Italian government's moves to restructure the state's industrial holdings, as well as the deferral of interest payments by Efim.

IRI and ENI have the highest credit ratings from the two agencies for their short-term debt, neither have long-term debt ratings. The ratings are in the names of their fund-raising arms, Cofiri International and ENI International Bank.

Standard & Poor's said it may downgrade its ratings of Banca Nazionale del Lavoro and Banco di Napoli, and it has switched the outlook of Banco Commerciale Italiana, from stable to negative.

Moody's said in early June that it may downgrade Italy's state debt. Standard & Poor's yesterday reaffirmed its ratings for the republic. IRI, the main state holding company, and ENI, the oil concern, have both been converted into joint stock companies in preparation for possible privatisation.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107⅝	108⅛	+¼	5.06
ALBERTA PROVINCE 9 3/8 95	600	111¼	111⅝	+¼	5.49
AUSTRIA 8 1/2 00	400	109⅛	109⅝	+⅛	6.85
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼		10.03
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅝	99⅝		9.16
WORLD BANK 8 96 LFr	1000	96⅞	97⅞		9.00
[illegible]					8.19
[illegible]					8.14
[illegible]					7.00
[illegible]					8.31
[illegible]					7.20
[illegible]					7.84
[illegible]					7.99
[illegible]					6.89
[illegible]					7.28
[illegible]					8.43
[illegible]					8.25
[illegible]					8.18
[illegible]					8.06
[illegible]					8.17
[illegible]					9.51
[illegible]					10.01
[illegible]					9.97
[illegible]					10.05
[illegible]					9.48
[illegible]					9.91
[illegible]					9.90
[illegible]					9.46

DEUTSCHE MARK STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

SWISS FRANC STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

YEN STRAIGHTS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	21	46
Other Fixed Interest	1	5	9
Commercial, Industrial	204	368	866
Financial & Property	84	165	545
Oil & Gas	16	16	54
Plantations	0	0	9
Mines	24	25	100
Others	20	38	81
Totals	364	638	1,710

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt. Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
[illegible]						5pm	-3½
[illegible]						3pm	
[illegible]						21pm	
[illegible]						1¼pm	
[illegible]						13pm	
[illegible]						¾pm	+¼
[illegible]						¾pm	-¼

[illegible] part of capital, [illegible] figures. u [illegible]. F Dividend [illegible] prospectus or [illegible] earnings. M [illegible] yield based on [illegible] ratio based on [illegible] a "rights". † [illegible] connection with [illegible] Pref. share.

LIFFE EQUITY OPTIONS

Option		Oct Calls	Jan Calls	Apr Calls	Oct Puts	Jan Puts	Apr Puts
Allid Lyons (*620)	550	88	97	108	5	9	14
	600	49	62	77	16	23	28
[illegible]							
Utd. Biscuits (*324)	300	38	41	46	6½	9	13
	330	17	22	29	18	22	26
Unilever (*938)	900	70	89	107	17	24	29
	950	38	59	77	35	45	49

Option		Aug Calls	Nov Calls	Feb Calls	Aug Puts	Nov Puts	Feb Puts
BAA (*641)	600	50	73	82	4	13	21
	650	13	41	54	21	33	40
[illegible]							
Blue Circle (*183)	180	12	18	24	13	15	17
	194	6½	13	-	22	24	-
	213	3	7	-	37	38	-
British Gas (*243)	240	12	17	21	7	14	17
	260	4½	8½	13	22	27	29
Brit Aero (*197)	180	30	43	50	10	22	25
	200	18	33	40	18	32	38
	220	12	26	33	30	46	52
Dixons (*203)	200	14	24	30	9½	14	17
	220	6	15	22	22	26	28

Option		Sep Calls	Dec Calls	Mar Calls	Sep Puts	Dec Puts	Mar Puts
Eurotunnel (*305)	300	20	43	50	27	32	38
	330	11	33	37	45	53	57
[illegible]							

EURO FT-SE INDEX (*2586) [illegible]

FT-SE INDEX (*2590) [illegible]

PUTS								
Aug	8	12	18	30	50	80	115	160
Sep	16	21	31	43	65	94	128	168
Oct	-	28	38	50	73	99	132	172
Nov	25	35	45	60	78	105	138	173
Dec	28	-	50	-	83	-	142	-
Jun †	-	-	70	-	110	-	160	-

July 23 Total Contracts 29,118
Calls 14,478 Puts 14,640
FT-SE Index Calls 4,055 Puts 6,526
Euro FT-SE Calls 214 Puts 857
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTIONS

● First Dealings July 20
● Last Dealings August 1
● Last Declarations October 15
● For settlement October 26

3-month call rate indications are also shown on this page.

Calls in: Aran, Burton, BP, Dixons, Greycoat, Lonrho, MGN, North Broken Hill, Peel, Tarmac and Trafalgar Hse., Puts in: Next and Spring Ram. Put & Call: P & O.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	■ OILS	
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	Aviva Pet	25
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	BP	18
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Burmah Castrol	48
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Conroy Pet	6½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Gaelic Res	½
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Premier Cons	2¾
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Shell	35
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	Tuskar Res	½
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		■ MINES	
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18	RTZ	47
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		
		Charter Cons.	37	Ladbroke	18	Sears	8½		

Brent Walker fails to find a new chairman

By Maggie Urry

BRENT WALKER, the leisure and property group which in March agreed a £1.6bn refinancing with its banks, failed to find a new chairman in time for its annual meeting yesterday.

Instead, Lord Kindersley, who retired as chairman at the meeting, is to be replaced temporarily by Mr Ken Scobie, deputy chairman and chief executive.

Mr Alan Clements, the group's only non-executive director, who had also planned to retire at the meeting, has agreed to stay on for a while.

Lord Kindersley told shareholders that a number of possible candidates had been identified for the chairmanship. He said: "The task facing your board is still enormous and we feel that it would be wrong to rush into such a vital appointment."

The appointment of new non-executives cannot take place until a new chairman has been found.

It is thought that potential chairmen of the group want to clarify their relationship with the company's banks before accepting the job. Through the refinancing the banks became holders of more than 50 per cent of the group's shares and have to be kept informed of its financial position on a regular basis.

Lord Kindersley also said that he expected news in the next two to three months on the Serious Fraud Office's inquiry into the group's affairs which was launched last summer. Mr George Walker, the former chairman and chief executive, has been interviewed as part of the inquiries.

Lord Kindersley said that trading in the group's two ongoing businesses, Pubmaster, which manages a chain of pubs, and William Hill, the betting shop group, was being affected by the recession. Sales of the non-core activities had also proved difficult because of the recession.

An independent expert has been appointed to arbitrate between Brent Walker and Grand Metropolitan, the leisure company, in the dispute over the purchase price of William Hill.

He is Mr Raymond Hinton, a partner at Arthur Andersen, the accountancy firm. Brent Walker is claiming a refund of part of the £685m consideration agreed in 1989 on the grounds that profits did not meet a forecast made at the time.

Brent Walker shares were unchanged at 5¼p.

Taunton closes 14p above offer price

By Richard Gourley

TAUNTON CIDER, the west country drinks group, yesterday joined a select band of recently-floated companies to begin trading at a premium to the offer price despite the general despondency hanging over the market.

The company's shares opened at 145p and closed at 154p, a 14p premium to the offer price.

Apart from Kenwood Appliances, the kitchen tool manufacturer which opened at a premium but has since fallen back to 278p, or a 7p discount, Taunton is the only recent publicly-offered flotation to rise from its offer price.

Despite the relative failure of these issues, bankers and analysts have been at pains to stress that most of the flotations have hit their targets of reducing debt and gaining a public quotation – even if the prices achieved have not been what was first anticipated.

They also stress that institutions have been prepared to pay prices that represent quite high earnings multiples, in the full knowledge that they would likely be left with shares at the underwriting stage because of weak retail demand.

Anglian Windows, which perhaps suffered most from the weak market and perceptions that it was more closely linked to the building sector than may in fact be the case, sold at a 12.2 earnings multiple. Its shares are now trading at a 7p discount at 203p.

Country Casuals, the women's wear retailer, was entirely placed with institutions at 130p – which represented a 15.9 pro-forma earnings multiple. Its shares opened at 145p but had drifted back to 135p by yesterday.

While the method of floating companies through part placements and part open offers may have killed off the stags for the time being, there is unlikely to be any diminution of interest by companies seeking finance through a flotation as the economy moves out of recession.

According to KPMG Peat Marwick, the accounting firm, some £1.68bn has so far been raised in 1992 – double the same period last year excluding the flotation of the electricity companies.

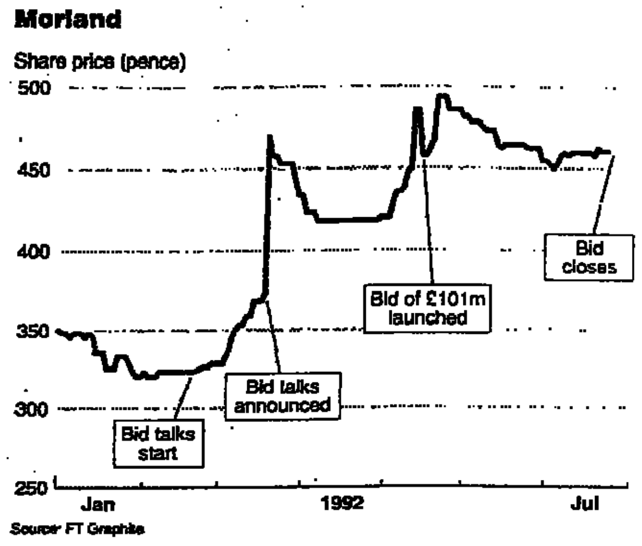
A fight to the bitter end

Philip Rawstorne looks back over Greene King's battle for Morland

GREENE KING needs about 700,000 shares, a stake of just over 4 per cent, this morning to clinch its £104m hostile bid for Morland, the Thames Valley brewer. Yet Morland's chances of retaining its independence still seem good.

The Suffolk-based brewer launched its bid in May with all the cards apparently in its favour. It bought a 28.5 per cent stake in Morland from the Whitbread Investment Company, which also pledged a further 14.9 per cent if no other bidder emerged.

For Morland, there was a bitter irony about the sudden move that threatened its survival.



Source: FT Graphite

Whitbread had been forced to dispose of its shareholding by the government's beer orders. Those were based on a Monopolies and Mergers Commission report that sought to safeguard the independence of regional brewers.

With 43.4 per cent of Morland in its grasp, Greene King confidently made its first, and final, offer for the rest of the shares – 484p in convertibles or 450p cash.

But after a hard-fought nine-week campaign, Greene King succeeded in gaining control of less than another 3 per cent.

Against the background of a falling stock market – generally considered to favour the bid – several shareholders who accepted the offer have had second thoughts in the last few days and withdrawn.

Royal Insurance, with a 7.7 per cent stake, rejected the bid from the outset, saying "it considerably undervalues the future prospects of the company."

Other institutions with significant stakes – Prudential (7 per cent), Britannic (5.9 per cent), CIN (3.8 per cent) and Refuge (3.1 per cent) – have shown no signs of defecting.

Morland's record and its prospects in a fast-changing brewing industry have been the main battleground.

Mr Simon Redman, Greene King's chairman, opened hostilities by claiming that a takeover made commercial and financial sense. "Regional brewers require both critical mass and strong brands in order to compete effectively in the new environment."

Morland had neither – and it faced serious strategic difficulties as a small independent brewer, Mr Redman claimed. Its 300 pubs, and the limited penetration of the free trade by its Old Speckled Hen ale, were not enough to justify the continued operations of its brewery.

Greene King's IPA and Abbot ales had a strong market position, with more than 55 per cent of sales outside the brewer's own 825 pubs. High utilisation of its brewery capacity gave it low-cost production.

Merging the adjacent pub estates and closing Morland's Abingdon brewery would bring cost savings and improved margins that would boost trading profits by an initial £2.5m a year, Mr Redman claimed.

Greene King's offer – a multiple of 21 times Morland's 1991 earnings and a premium of 51 per cent on the company's share price when abortive merger talks began in February – was generous, he said.

Sir Humphrey Prideaux, Morland's chairman, dismissed it as "an opportunistic attempt to acquire the company on the cheap." Morland based its defence on its record of the past five years: annual earnings growth of 17 per cent, dividend growth of 16.6 per cent, gearing of only 8.1 per cent and cash deposits of £9m.

The company had achieved the best earnings per share growth in the sector and substantially outperformed Greene King, it said, taunting the predator with its refusal to reveal its 1991-92 profits.

Greene King was later forbidden from publishing its results by the Takeover Panel but described Morland's forecast of a 28 per cent rise in profits this year as "feeble and lacklustre."

Morland's past record was no guide to future prospects in a more competitive industry, it said. But the Oxfordshire brewer was shoring up its defences against such charges.

It announced a deal with Courage covering the sale of a minimum 5,000 barrels a year of Old Speckled Hen, and the brewing of 20,000 barrels of Courage beers a year at Abingdon. The deal would generate initial annual pre-tax profits of £800,000, it was claimed.

Morland followed up with the £16.9m purchase of 72 pubs from Inntrepreneur Estates, increasing its tied estate by nearly 25 per cent. The pubs, it forecast, would make a substantial and growing contribution to profits.

There has been some angry skirmishing around these main lines of attack and counter-attack: over Morland's net asset value and Greene King's unsuccessful forays into leisure businesses, for example.

When the dust settles today, however, it would be no surprise to see Morland emerge, after Devenish and Invergordon, as the third UK drinks company in little more than a year to defy the odds against its survival.

Restructuring battle at Etonbrook intensifies

By Peggy Hollinger

THE BATTLE over a capital restructuring at Etonbrook Properties grew increasingly heated yesterday as the company's largest shareholder attacked directors over fees paid to associated consultancies since 1988.

Mr Andrew Perloff, who through three companies and a personal stake controls 15 per cent of Etonbrook, said companies associated to its directors had taken £1.5m in fees since 1988 compared with payments to ordinary shareholders of £105,342 over the same period. The information had come from the accounts, he said.

Mr Keith Moss, managing director, said yesterday that the fees were partly due to the ordinary running of the company, and partly a board incentive set up under the Business Expansion Scheme. "The board received 20 per cent of the development profits," he said. "It was an incentive . . . 750 shareholders invested with us on that basis."

The claims form part of a dispute over plans to repay £1.2m in preference shares which fell due on April 1. That would require a reduction in share capital as Etonbrook does not have enough distributable reserves.

In a letter to shareholders Mr Perloff rejected Etonbrook's claim that the preference shareholders could wind up the company if not repaid as he claimed company law required repayments to be made from distributable profit.

NEWS DIGEST

Filofax in black with £0.6m

FILOFAX, best known for its personal organisers, returned pre-tax profits of £552,496 for the 15 months ended March 31, the first full reporting period since a change of management.

For the 12 months to end-December 1990 the USM-quoted group incurred a loss of £1.55m.

Both sets of figures were struck after taking account of exceptional provisions of £602,238 and £1.3m respectively. Turnover totalled £12.7m (£11.1m).

The company is restoring dividends via a 0.5p payment. Earnings for the 15 months amounted to 2.7p (losses 9.5p). The shares closed 3p higher at 39p.

Mr Robin Field, chief executive, said the groundwork had been laid for the company's future as a supplier to the retail stationery trade worldwide.

He added that the core business was "secure, profitable, cash-generating and growing."

A net cash balance of £2.6m at March 31 was expected to cover working capital requirements throughout the current year.

Marginal fall in net assets at Derby Tst

Net asset value of Derby Trust showed a marginal decline to 339p by June 30, against 343p 12 months earlier.

Available revenue in the first half slipped to £971,480 (£985,290) for earnings of 8.2259p (8.3429p) per income share, all of which is distributed to shareholders.

Bexbuild declines to £133,000

Bexbuild Developments, the USM-quoted property investor, recorded a pre-tax profit of £133,000 in the year to March 31, compared with £622,000.

The profit was struck after £51,000 (£86,000) exceptional charges, being written off trading stocks, while the previous year included £469,000 realised surplus on property.

Turnover came to £1.62m (£714,000). Earnings per share were 3p (8.6p) and the final dividend is 1.7p for a total of 2.7p (2.5p).

Net asset value per share remained at 139p, after writing down property values by £189,000 and allowing for shares bought for cancellation.

The most significant acquisition during the year was the Hughes Group, which owned 10 investment properties spread throughout the country. It was now entirely self-financing.

Green Property improves to £1.01m

Green Property, the Dublin-based development investment and trading group, lifted interim profits by some 20 per cent to I£1.01m (£950,000) pre-tax.

The increase from I£847,000 for the six months to June 30 reflected net rental income *ahead to I£2.39m (I£2.25m)* and other operating income of I£440,000 (I£106,000). Interest charges were static at I£1.3m.

The interim dividend is maintained at 1.2p, payable from earnings of 4.39p (3.76p) per share.

Telecom Eireann falls by I£3m

Telecom Eireann, the state-owned Irish telecommunications monopoly, reported a drop of I£3m to I£91m (£85.5m), in pre-tax profits for the year to April 2 1992.

Turnover rose I£6m to I£788m despite revenues being constrained by the impact of price reductions introduced last January and reduced overseas contract work. The price reductions will cost I£50m in revenues in a full year.

Operating profits fell I£16m to I£189m but financing costs also dropped - by I£13m.

Net debt fell I£55m to I£998m, the first time since 1986 that it has been below I£1bn. In 1985, Telecom was incurring losses of I£65m.

The company has offered a dividend of I£41m to the Irish Exchequer, up from I£35m.

Abtrust Preferred pays 11.625p

Abtrust Preferred Income Investment Trust, a split-capital trust which came to the market in May 1991, reported net asset value of 111.78p per zero dividend preference share and 82.38p per ordinary income share as at May 31 this year.

Net revenue for the 13-month period to end-May amounted to £1.29m and earnings per income share to 14.33p. A third interim dividend of 2.90625p brings the total to 11.625p.

Exmoor Dual net asset value lower

Exmoor Dual Investment Trust had a net asset value per share of 63.2p at May 31 compared with 93.6p a year earlier.

Values for the income shares and zero coupon preference shares were 60.7p (64.2p) and 158.4p (140.1p) respectively.

Net revenue amounted to £558,975 (£697,317) for earnings per income share of 6.34p (7.9p). The third interim dividend is unchanged at 2.7p.

Fleming American net assets decline

Fleming American Investment Trust, which aims to achieve capital growth from a portfolio mainly comprising listed US companies, saw its net asset value fall to 198.8p by June 30.

The value compared with 210.2p a year earlier and 209.3 at the December year-end.

Available revenue for the six month period was £238,000 (£522,000), equivalent to earnings of 0.36p (0.79p) per share.

The interim dividend is cut to 0.35p (0.5p).

Losses deepen to £0.45m at Elbief

Elbief, the maker of photograph and handbag frames, clocks and mirrors, fell deeper into the red in the year to April 30 and reported a pre-tax loss of £451,000, against £29,000.

The difficult trading conditions of the first half had worsened, directors said, and they had introduced "more drastic cost cutting measures".

Turnover was static at £4.44m. Losses per share amounted to 3p (0.19p). There is no dividend (0.5p).

US$200,000,000
ML TRUST VI
Collateralized Mortgage Obligations
Floater Class A Bonds

In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest has been fixed at 3.9375% for the Twenty-Third Floater Interest Period of 20th July 1992 through to 19th October 1992. Interest accrued for this Floater Interest Period is expected to amount to US$1.96 per US$1,000 Bond.

PRINCIPAL PAYING AGENT
Texas Commerce Bank National Association at the offices of its agent at Texas Commerce Trust Company of New York
60 Broad Street
New York, New York 10004

PAYING AND TRANSFER AGENT
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie-Therese
L-2012 Luxembourg

Merrill Lynch International Bank Limited
Agent Bank

BANK OF GREECE
US$150,000,000
Floating rate notes due 1994

Notice is hereby given that the rate of interest relating to the above issue has been fixed at 5.25 per cent for the period 24 July, 1992 to 26 October, 1992.

Total interest payable on 26 October, 1992 will amount to US$269.79 per US$10,000 note and US$6,744.79 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 24.07.92: Pool purchase price £/MWh	Final Prices for Trading on 28.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.09	19.90	22.07
0100	17.80	19.69	21.86
0130	17.80	19.69	21.86
0200	17.80	19.69	21.86
0230	17.80	19.69	21.86
0300	17.80	19.69	21.86
0330	17.80	19.69	21.86
0400	17.80	19.69	21.86
0430	17.80	19.69	21.86
0500	17.80	19.69	21.86
0530	17.77	17.56	17.56
0600	17.70	17.56	17.58
0630	17.69	19.76	21.94
0700	17.77	19.98	22.17
0730	23.56	22.49	24.77
0800	24.04	24.83	27.16
0830	28.09	25.40	27.71
0900	27.71	26.94	29.29
0930	28.03	27.85	30.17
1000	28.04	27.86	30.11
1030	28.05	27.88	30.12
1100	28.05	26.76	28.99
1130	28.07	26.95	29.18
1200	28.09	27.10	29.33
1230	28.07	27.10	29.33
1300	28.04	27.10	29.34
1330	27.71	26.28	28.53
1400	26.09	25.40	27.63
1430	26.08	25.25	27.49
1500	26.06	25.17	27.41
1530	25.62	24.83	27.07
1600	25.53	24.15	26.38
1630	28.00	24.15	26.38
1700	28.02	24.83	27.07
1730	28.02	29.10	31.36
1800	28.01	29.10	31.37
1830	27.99	24.83	27.09
1900	25.07	24.17	26.43
1930	24.85	22.90	25.22
2000	24.04	22.94	25.18
2030	22.73	21.51	23.71
2100	22.73	21.51	23.72
2130	27.99	21.51	23.72
2200	27.89	30.53	33.00
2230	27.99	30.53	32.98
2300	27.99	30.53	32.99
2330	21.79	30.53	33.05
2400	20.09	27.85	30.26

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-454756 between 8.30am and 5.15pm Monday to Friday.
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Amstrad loss may reach £65m

By Richard Gourlay

LOSSES AT Amstrad, the UK consumer electronics group caught by a sharp deterioration in the personal computer market, are likely to have reached £65m in the year to June 30.

The group, launched and still piloted by Mr Alan Sugar, said pre-tax losses would be about £25m more than the market expectations which range around £40m.

Amstrad said the additional losses were the result of erosion of prices in the personal computer market and higher-than-expected restructuring costs.

Inventory reduction and restructuring have, however, increased Amstrad's net cash to £100m from £60m at the end of June 1991.

The announcement was initially greeted by a sharp fall in the Amstrad share price. But the shares bounced to close down only 1p at 29p as the increased cash balance was seen as underpinning the shares and limiting further price falls.

The statement made no comment, however, about the final dividend which analysts say remains seriously in doubt.

"The best hope is that they will pay the final dividend but it is entirely at the whim of the chairman," one analyst said. "It is not justified by earnings or profits and only marginally by cash flow."

A spokesman for the group said the increased losses did not include any provision for further price reductions in the personal computer market. Nonetheless, the group was "well poised now" to compete in a market that has turned into a bloodbath as a result of competitors like IBM and Compaq hitting back at computer clone producers like Amstrad.

Compaq, the US company, revealed on Wednesday a 43 per cent jump in second quarter net income, providing evidence that a new policy of competing with clones on price rather than features was paying dividends.

Analysts believe the provisions and stock liquidation will have been enough to return Amstrad to profits in the current year ending June 1993.

While the increased loss was not entirely unexpected, given the all too evident depth of high street discounting, the increased cash pile has increased the quality of net assets.

Boots shares rise 19p after optimistic statement

By John Thornhill

BOOTS' share price rose 4 per cent yesterday following a cheerful trading statement from Sir Christopher Benson, chairman, at the annual meeting.

Sir Christopher said sales of the diversified retailing group were up 11 per cent since the beginning of its financial year on April 1 - in spite of the weak market background.

"We are bucking the trend," he said.

The company's statement contrasted sharply with the weak retail sales for June released by the Central Statistical Office earlier this week, which showed a 0.2 per cent drop on the preceding month. Boots shares closed up 19p at 447p.

Boots the Chemist, which forms the group's core, reported sales up 13 per cent over last year, benefiting from strong sales of hay fever medicines and sun lotions due to the warm weather in May.

But all of Boots' other retail chains, which have performed more weakly during the recession, also recorded good sales increases.

Halfords, the car parts business which has struggled since being bought as part of the Ward White acquisition three years ago, recorded an 8 per cent increase in sales despite the closure of several small stores.

Sales at Childrens World and Boots Opticians rose by 14 per cent and 6 per cent respectively.

Fierce discounting affected the company's DIY businesses, but AG Stanley, which runs the Fads high street chain, lifted sales by 3.5 per cent and Do-It-All, the joint venture with W.H. Smith, achieved a 10 per cent advance.

The pharmaceuticals division increased sales by 11 per cent.

Its Manoplax drug for the treatment of congestive heart failure is in the late stages of registration in several markets.

Some shareholders criticised the 54 per cent increase in the collective pay of the directors, but others argued that it was merited given the solid financial performance of the group.

Arjo Wiggins names Frenchman to replace its chief executive

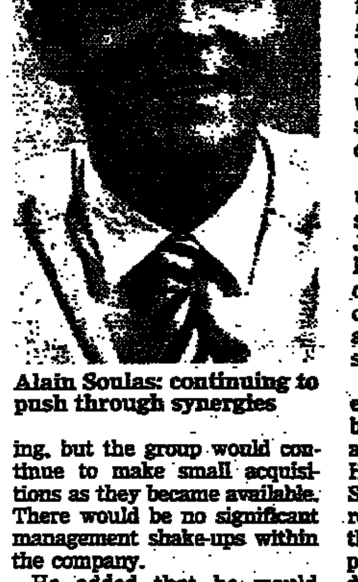
By Paul Abrahams

ARJO WIGGINS Appleton, the Franco-British paper group, did little to allay the fears of British institutions about the strength of its French minority shareholders yesterday. The group named a Frenchman to replace the group's sacked British chief executive, Mr Stephen Walls.

Mr Alain Soulas, presently chief executive of the paper division of Saint-Gobain, the French industrial company, will take over at the beginning of October. The group said Saint-Gobain has no relationship with Worms et Cie, the French financial company, which indirectly owns 39 per cent of Arjo Wiggins Appleton (AWA).

At a meeting with analysts yesterday, Mr Soulas said his most immediate priority would be to continue to push through synergies following the merger of the French and British groups. In particular, there were synergy benefits in rationalising production and purchasing which had not yet been achieved.

Mr Soulas told analysts he did not want to increase gearing, but the group would continue to make small acquisitions as they became available. There would be no significant management shake-ups within the company.



Alain Soulas: continuing to push through synergies

He added that he would move to the UK where the company's small headquarters would remain domiciled. The group's dividend policy would not change.

Mr Tim Rothwell, paper analyst at BZW, said Mr Soulas had a good track record in the industry. However, he said poor trading conditions meant he was downgrading his profits forecast for this year from £212m to £205m, and for next year from £240m to £235m. AWA's shares, which have underperformed the market since Mr Walls was sacked, closed last night 5p up at 218p.

Mr Soulas's move, while not unexpected, was nevertheless a significant promotion, said Mr Jonathan Helliwell, paper analyst at James Capel. He pointed out that Saint-Gobain's paper division had a turnover of about £900m against AWA's sales last year of £2.48bn.

Meanwhile, the company expects to announce more board appointments to replace a non-executive director – Mr Henry Wendt, chairman of SmithKline Beecham, who resigned, and Mr Ian Kennedy, the chief executive of the fine papers and forestry and pulp division, who retired this year.

The replacements are likely to be American and British.

See Observer

Greycoat asset value falls 58%

By Peter Pearse

NET ASSETS per share at Greycoat, the property development and investment company which specialises in central London offices, tumbled by 58 per cent from 477p to 201p over the year to March 31.

The fall reflected the annual revaluation and £11m provisions against properties at cost. Last time these were £64m. Profits before provisions emerged at £3.4m (£25.5m), and after provisions the pre-tax loss was £7.6m (£38.5m). Gross rental income grew to £50m (£31.9m).

The company said that the 22 per cent overall fall in the value of its investment portfolio embraced falls of 24.6 per cent in the City, 18.4 per cent in central London, the West End and Victoria, and 15.5 per cent in the provinces. Some 96 per cent of the portfolio is in offices.

Interest payable jumped to £36.3m (£12.3m), with £8.4m (£32.2m) capitalised. No capitalisation was expected in the current year.

Losses per share amounted to 14.6p (45.1p) but the final dividend is held at 2.9p for a maintained total of 5.2p.

Lloyds Chemists sees advance

By Peggy Hollinger

SHARES in Lloyds Chemists jumped 18 per cent to 235p yesterday following an optimistic trading statement from Mr Allen Lloyd, chairman and chief executive.

Mr Lloyd said the board was prompted to make the announcement in the face of the sharp decline in the share price over the past month. The price has fallen steadily since June 17, when shares traded at 351p.

The chairman said business remained resilient despite difficult conditions. For the present year like-for-like sales were 9 per cent ahead in the chemists division, 6 per cent in Drugstores, and 5 per cent for Holland & Barrett, the healthfood retailer.

In light of this, the board expected to increase the final final dividend by 33 per cent to 4p for the year to June 30, making a total of 5.55p.

He warned, however, that pre-tax profits in the current year would be some £5m to £8m lower, due to the NHS decision to cut the cost of generic drugs. He added that Lloyds aimed to mitigate the decline through increased margins on own label products and over-the-counter sales.

Mr Lloyd reassured investors that profits should be in line with expectations, unless the the NHS decided to backdate reimbursement for generic drugs to April 1. Analysts are expecting pre-tax profits of between £33m and £35m.

Extensive disposals aid First Technology

By Andrew Bolger

FIRST TECHNOLOGY, which supplies crash dummies and safety sensors to the car industry, said extensive disposals helped it make pre-tax profits of £639,000 in the year to April 30, against a £3.03m loss.

The recession-hit group's shares, which crashed from a peak of 500p in 1990, yesterday closed 3p higher at 59p.

The group sold nine non-core businesses and closed one during the year, reducing turnover from £37.3m to £27.8m.

Earnings per share of 2.4p compared with losses of 14.7p, but the final dividend is again passed, resulting in a nil distribution for the year (1p). A capital reorganisation is planned and it is intended to resume dividends in the current year.

Net borrowings fell from £9.5m to £6m, leaving year-end gearing at 150 per cent. Further significant reductions are expected this year.

Banking facilities with Barclays and National Bank of Detroit will be reviewed in December. The group is confident it will be able to negotiate support at much lower cost than last year, when there was an exceptional charge for professional fees of £365,000.

● COMMENT

First Technology has made a good start on the road to recovery, but a lot of fingers have been burnt since the not-so-distant glory days when the shares topped 500p. The company will have to rely on cash generation to reduce further its debt burden, but should have no great difficulty in cutting gearing to about 80 per cent next year. Mr Westlake argues as persuasively as ever that increasing consumer concern with car safety will prove good for business. Forecast pre-tax profits of £1.5m next year put the shares on a prospective multiple of just under 8. At that level, they obviously have attractions as a recovery play. However, more safety-conscious investors may wish to await the resumption of dividends before leaping aboard.

Ewart's 21% downturn intensifies war of words

By Nigel Clark

AS EWART, the Belfast-based property company, reported a 21 per cent decline in pre-tax profits from £254,000 to £201,000 for the year to April 30, the war of words over its control increased in intensity.

Mr Philip Monahan, who holds a 29.22 per cent stake and is attempting to replace four existing directors, said that the company's existing strategy was not successful and the present management had no ideas for recouping shareholder value.

Mr Barry Gilligan, managing director, said he was pleased to report a profitable year in "extremely difficult" market conditions.

He added that the view of the majority of the directors was that the board changes should be rejected.

Mr Monahan is seeking to replace four directors with Mr Patrick Whyman, who holds a 6.38 per cent stake and Mr Edward Sweeney, development director of Mr Monahan's Dublin-based Monarch Properties.

When asked if he considered whether Mr Monahan and Mr Whyman were acting in concert Mr Gilligan said he could not comment but the company would be sending its views on the move to shareholders soon.

He added that he thought Mr Monahan was trying to take control of Ewart without making a full bid.

Mr Monahan's view was that as they were existing shareholders there was no requirement to make a full bid.

He is seeking to replace Capt Bill Henderson, a former chairman, Sir William Ewart, Mr Dominic Deeny, development director and Mr David Robinson, finance director.

The year's profit was achieved on turnover of £3.7m against £12.6m, which was boosted by the sale of a development. The net interest charge increased from £5,800 to £718,000 as a result of the non-capitalisation of interest. In the previous year interest on the sold development had been capitalised.

Earnings per share were 1.18p (0.34p) and the proposed final dividend is maintained at 0.5p for a total of 0.75p (1p).

Bristol Scotts cuts losses

BRISTOL SCOTTS unveiled preliminary figures for 1991 showing a reduction in pre-tax losses from £770,000 to £562,000.

The leisure and property group also revealed the agreed acquisition of the outstanding 87.6 per cent of Mount Street Fine Wine Company, a wholesaler and retailer of fine wine. Some 37 per cent of its trade is with Bristol Scotts.

Terms of the offer are 645 Bristol shares for every 1,000 Mount Street, which puts a value of 60p on the shares and £822,000 on the whole capital. There is a cash alternative of 50p.

Draft accounts showed that Mount Street incurred increased losses of £236,000 (£65,000) in the year to March 31.

Bristol Scotts' turnover fell to £11.5m (£13m) and trading profit to £795,000 (£1.21m), but a doubled contribution from profit on sale of investments and other income, and reduced interest charges enabled the loss to be cut. Losses per share were 4.69p (11.73p).

Eurotunnel believes 'no significant debt trading'

EUROTUNNEL, the channel tunnel company, does not believe there has been any significant trading in its debt, the company's chief executive, Sir Alastair Morton said yesterday.

He was responding to a comment in yesterday's Lex column in the FT which said that a small amount of Eurotunnel's debt had changed hands at a discount to its face value of 30 per cent.

Sir Alastair said that under the terms of its borrowing agreement, the company must be notified if security is assigned to any purchaser of debt.

In the past six months, Eurotunnel has not been notified of any market transactions in its debt involving the re-assigning of security in this way.

However, Sir Alastair said it was possible that debt has been transferred between banks without reassigning security, though he thought it unlikely.

If a bank had bought debt without gaining the right to security it would naturally buy the debt at a discount, he said, since the debt would carry an increased risk.

In addition, he said that no bank can assign its ongoing commitment to provide Eurotunnel with its undrawn banking facilities without the company's consent - which has not been given in the case of any market transactions in the past six months.

Eurotunnel has 220 banks. To date, it has drawn on more than £4bn of its banking facilities. The company believes that less than 1 per cent of this £4bn has ever changed hands and is not aware of it ever being sold at a discount.

The company also pointed out that it is not planning to seek further finance from its banks or shareholders prior to the opening of the Channel Tunnel towards the end of next year. The need for further funding in the period after opening will be measured during the first year in service in 1994.

Sir Alastair also said that negotiations with Transmanche Link, the consortium of contractors working on the tunnel, are going well.

There has been a dispute between Eurotunnel and TML over how much the contractors should be paid for fitting out the rail tunnels and building passenger terminals at Folkestone, Kent and Sangatte, northern France..

Eurotunnel is now believed to be offering TML between £100m and £150m less than TML wants, as measured in 1985 prices.

Hill & Smith tumbles to £1.24m

Hill & Smith Holdings, the West Midlands-based steel fabricator and stockholder, blamed the recession as interim profits tumbled from £2.42m to £1.24m before tax.

The outcome for the six months to March 31 was struck after an exceptional charge of £212,000 relating to losses incurred by Tipton Steel Stock Holders (Stoke) which was sold after the period-end.

Turnover fell to £31.8m (£38.7m). The interim dividend is 2.1p (1.91p after adjusting for the scrip issue in March). Earnings were 2.98p (5.74p).

Decision day for Walbrook creditors

By Richard Lapper

CREDITORS of the stricken Walbrook Insurance, must decide today whether to back a rescue plan which would stave off the company's liquidation.

The deal, which could convert many of the company's creditors into shareholders, would close another chapter in the long-running saga of Walbrook's parent, London United Investments, a property and finance company, which was placed in administration in February 1990.

However if the creditors refuse approval, the Policyholders' Protection Board, financed by contributions from British insurance companies, stands to meet millions of pounds in insurance claims.

During the 1980s Walbrook was one of the leading insurers and re-insurers of US liability business in the London market, specialising in covering US doctors, hospitals, accountants and lawyers, and their insurers, against legal awards for negligence.

But the company, along with four other LUI subsidiaries, Kingscroft, El Paso, Lime Street, and Mutual Reinsurance – the so-called Kelm companies – was swamped by a surge in claims. LUI was placed in administration in 1990, and Walbrook and the Kelm group ceased writing new business. In May this year, Walbrook stopped paying claims after actuaries completed a new, more pessimistic, assessment of outstanding claims.

Walbrook's unpublished 1991 accounts show underwriting losses of £178.5m. The company had negative net assets of £170m after allowing for approximately £461m in outstanding claims and claims incurred but not reported.

Under the rescue plan, launched earlier this month, directors are proposing that leading policyholders exchange their debts for equity, in a deal which would raise £270m and restore Walbrook's solvency.

Creditors would receive 100 cents in the dollar, but would then be asked to pledge 60 cents immediately in exchange for preferred stock. More than 200 policyholders are each owed over $1.0m (£520,000) in potential outstanding claims.

However some creditors are strongly opposed to the deal. Transit Casualty, a Missouri-based insurer which went into receivership in 1985, is seeking to appoint liquidators, which it believes would represent a quicker and cheaper solution.

Earlier this week Transit asked Walbrook to supply more material financial information in connection with the rescue plan. As of yesterday, no information had been forthcoming and, according to advisers, Transit was understood to be "resolutely opposed to the rescue plan".

If the plan fails, the company faces the prospect of a formal scheme of arrangement, or provisional or full liquidation. The UK's insurance companies, already battered by two years of heavy underwriting losses, could well pick up some of the cost.

In March this year the PPB paid a total of about £37m to pay claims from policyholders of the Kelm companies. Under the Policyholders Protection Act, the PPB pays private policyholders of insolvent companies 90 per cent of outstanding claims.

A court judgment in April broadened the definition of private policyholders to include firms or partnerships, making it possible for many of Walbrook's policyholders to claim for compensation. Between 20 per cent and 25 per cent of Walbrook's 200 biggest policyholders are understood to be able to claim compensation.

Offer for Pacific Horizon withdrawn

Jupiter Tyndall Merlin, the fund manager, yesterday announced that the potential offer for Pacific Horizon Investment Trust, which it manages, had been withdrawn.

In June, Jupiter Tyndall blocked an agreed bid from Martin Currie Pacific.

Jupiter then published restructuring proposals and on July 14 announced a possible bid from another investment trust. On Wednesday Pacific Horizon dismissed Jupiter as managers to the trust.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Prefer'd ....fin	2.90625	July 31	-	11.625	-
Bexbuild Devts § ......fin	1.7	Oct 1	2.5	2.7	2.5
Contra-Cyclical ....int	2.25	Aug 28	2.25	-	4.5
Derby Trust ....int	8.2259	Aug 31	8.3429	-	18.4348
Drayton Far East ......int	0.125	Aug 28	0.125	-	0.625
Elbief ....fin	nil	-	0.319	nil	0.5
Ewart ....fin	0.5	-	0.5	0.75	1
Filofax § ....fin	0.5	Nov 2	nil	0.5	nil
First Technology ......fin	nil	-	nil	nil	1
Flem Fledgeling ......int	1	Sept 7	1	-	3
Geared Inc Inv ....int	1.5‡	Aug 28	1.5	-	7.687
Green Property ....int	1.2♣	Sept 30	1.2	-	3.8
Greycoat ....fin	2.9	Oct 1	2.9	5.2	5.2
Hill & Smith ....int	2.1	Sept 29	1.91*	-	5.454*
Independent Inv ....fin	0.5	Oct 14	0.45	0.5	0.45
London Merchant ....fin	3	Oct 3	2.8	3.8	3.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Equivalent after allowing for scrip issue. ♣Irish pence. ‡First interim.

JOBS: Survey shows country-to-country differences in rewards for winning promotion up the ranks

What bosses' pay buys around the world

"WHY all the fuss, then?" The question, hurled at the Jobs column during a tour of contacts in the North-west of England, had two motives behind it.

One was genuine curiosity about a topic raised all too frequently in this corner of the FT in recent weeks. It is the disappearance, perhaps for ever, of large numbers of executive jobs and the consequent plight of thousands of managers and higher rank specialists thrown out of work in the recession.

The other motive was the rude provincials' constant urge to mock Londoners for assuming that whatever is happening around Britain's capital must also be going on throughout the universe. For the Lancastrians swore they'd scarcely been affected by the said phenomenon. Nor did they even try to hide their *schadenfreude* in doing so.

All of which is a bit awkward for a hack who is not only almost one of their fellow-countymen (having been born 200 yards over the Lancashire border into Cheshire), but writes in an international paper. Can it be that most of you out there have been equally bemused by my essays on the dire effects of "delayering"?

I can hardly believe same is confined to south-east England. There is evidence that it is being heavily felt in the United States, for example. But I'd be glad of advice from readers elsewhere.

MEANWHILE – to prove that the Jobs column has not become totally London-parochial – to the table below which gives pay indicators for non-delayered managers in 24 countries.

As in previous years, the figures come from the surveys made by Employment Conditions Abroad, which keeps watch over pay and perks and so on around the world on behalf of some 700 international groups subscribing to its services. Anyone wanting more data thereon should contact Ian Luke of ECA at 15 Britten St, London SW3 3TY; tel 071-351 7151, fax 071-351 9396.

My extracts refer to four ranks of executives in each land. They range upwards from a junior and a middle manager in a sizeable division of a group, to the head of a function such as marketing and the chief of the division itself. In each case the table gives two sets of figures. First comes the typical gross salary, including any bonus that is regular as distinct from varying with performance or the like. The second figure translates the salary into buying power.

To calculate it, ECA starts by reducing the gross sum to net pay by deducting the tax and like charges standard for a native of the country who's married with two dependent children. The net is then turned into purchasing power by adjusting for price variances shown by living-cost comparisons. Unfortunately, because of problems in devising a consistent international measure of housing costs, no account is taken of that important outlay.

Although the salary surveys reflect the position at the start of this year, the other currencies have been converted to sterling at the exchange rates in force at the end of the first week of this month. Since no information was forthcoming on the chief of the division in Japan, the countries are ranked on the buying power of the head of function.

Inevitably, the figures are at best a loose approximation of the real state of pay. They are nevertheless as sound as any others available, and shed new light on differences between countries.

For instance, in giving pride of place to Switzerland, the ECA findings clash with two separate surveys I reported in May and June, both showing the Swiss had fallen behind the Spanish, French and Germans. That may well be because the other two covered higher ranks, including chief executives, and took account of variable bonuses besides salaries.

One rare feature of ECA's study is that it reflects country-to-country variances in the extra buying power typically gained by winning promotion through the four ranks listed. The greatest reward for same is in Hong Kong, whose division chief is nearly 3¼ times as well off as the junior manager. The least is in Norway, with a differential between the two of only about 75 per cent.

Michael Dixon

COUNTRY	Junior manager Gross pay £	Junior manager Buying power £	Middle manager Gross pay £	Middle manager Buying power £	Head of function Gross pay £	Head of function Buying power £	Chief of division Gross pay £	Chief of division Buying power £
Switzerland	33,883	23,477	47,195	30,658	66,044	40,007	97,559	54,807
Germany	30,825	20,673	42,180	28,131	60,160	38,798	88,682	52,849
Austria	27,134	18,999	38,819	25,908	58,302	36,537	91,611	54,125
Singapore	18,363	18,252	26,983	25,841	39,289	36,189	58,426	51,873
Hong Kong	17,621	14,622	28,247	22,439	42,429	33,705	63,463	50,414
United States	24,275	19,614	33,265	25,388	46,037	33,657	64,617	45,697
Spain	23,439	17,720	34,222	24,769	49,047	33,320	71,747	44,173
France	23,520	18,319	32,500	24,426	46,571	32,903	65,518	44,340
Italy	25,994	16,715	36,985	22,852	53,711	31,280	78,651	43,812
Belgium	25,724	17,705	36,313	22,175	51,633	28,046	74,966	36,271
Japan	29,922	16,390	43,436	22,467	57,039	27,677	–	–
United Kingdom	20,000	16,038	26,600	20,915	36,600	27,255	49,900	35,235
Canada	20,053	14,806	27,461	19,095	39,620	25,534	52,728	32,202
Netherlands	21,490	15,854	29,221	19,981	41,919	25,353	57,335	31,784
Portugal	15,350	12,653	23,045	17,656	35,085	25,260	52,193	35,573
Ireland	20,820	15,117	27,065	18,253	36,061	22,770	48,093	28,811
South Africa	13,021	12,433	17,275	15,569	24,071	20,536	33,261	27,251
Greece	12,771	10,344	18,050	14,084	26,525	19,860	35,553	25,656
Sweden	22,328	12,693	29,867	15,513	40,141	19,356	53,883	24,496
Denmark	26,751	13,450	35,580	15,886	48,772	19,345	65,683	23,780
Norway	20,107	12,840	26,229	15,382	35,315	18,934	44,827	22,651
Australia	16,070	12,552	22,058	15,715	28,927	18,833	39,843	24,589
Finland	22,298	11,624	29,652	14,036	39,718	17,212	53,219	21,051
New Zealand	11,981	9,703	15,935	12,617	21,313	16,579	28,624	22,017

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

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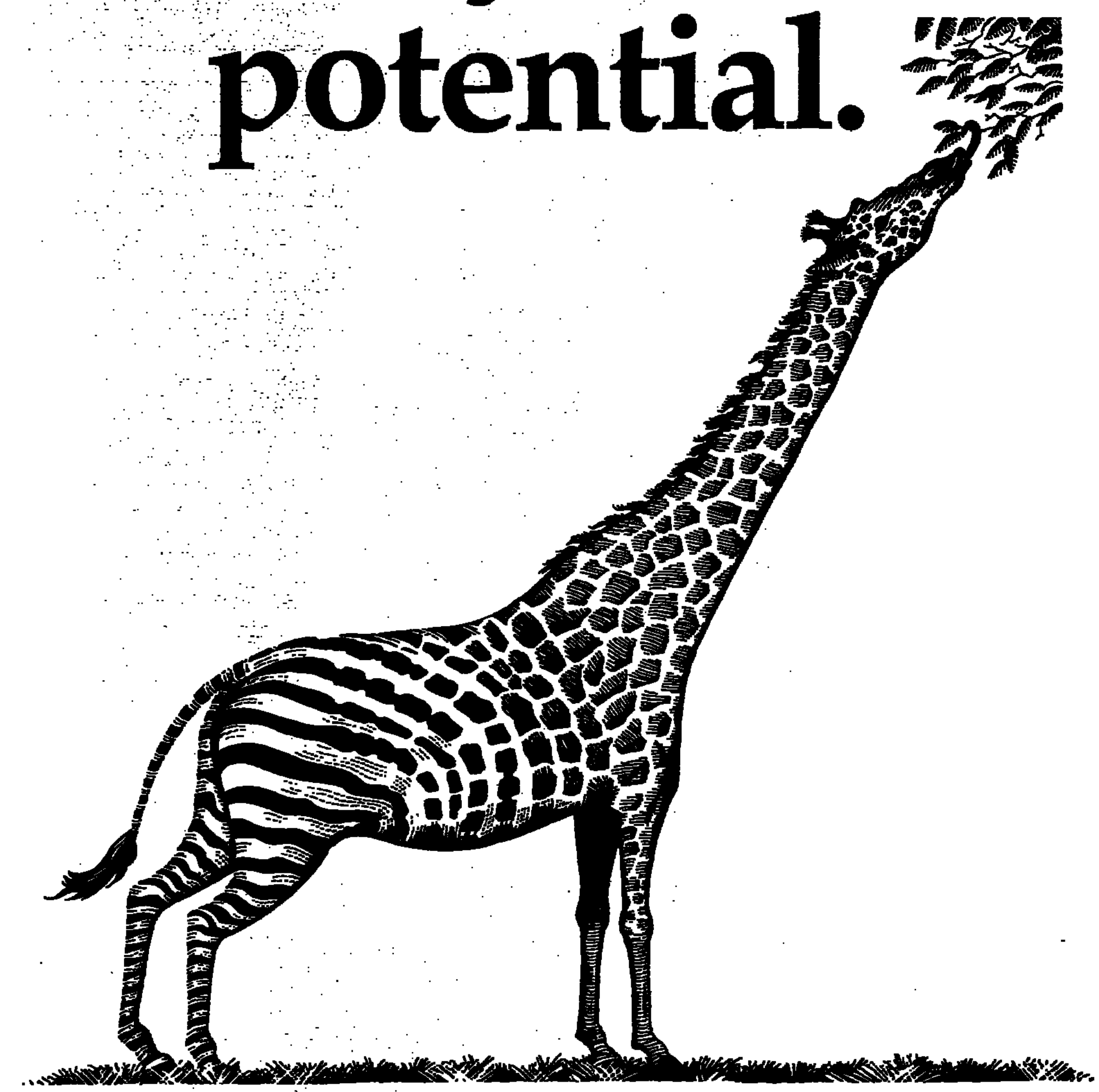

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ACCOUNTANCY COLUMN

Avoiding pitfalls in professional relationships

By David Barchard

SPARE A thought on Monday for two of the super-stars of the UK accountancy profession, Mr Michael Jordan of Cork Gully, and Mr Richard Stone, corporate finance head at Coopers & Lybrand.

Monday is the day that Mr Stone and Mr Jordan appear before the professional-conduct panel of the Institute of Chartered Accountants of England and Wales. They will respond to claims that they breached the institute's ethical guidelines when they agreed to become the administrators of Polly Peck International, the fruit, leisure, and electronics group in October 1990 because during the previous three years there had been a continuing professional relationship between Coopers and Mr Asil Nadir, the group's chairman and chief executive.

The disciplinary committee's by-laws mean that the hearing will take place behind closed doors, which has already drawn a good deal of unfavourable comment in some quarters.

Coopers says they are confident, on the advice of leading counsel, that they have not broken the guidelines.

The number of large accountancy firms is dwindling and administrations continue to proliferate. Almost every firm has a relationship with most big companies.

For instance, Touche Ross, the accountancy firm of the third Polly Peck administrator, Mr Christopher Morris, audited Sansui, the Japanese audio and consumer electronics subsidiary that Polly Peck acquired in the year before its collapse. To be fair this is a much more remote link than Coopers' role as advisers to Mr Nadir, which went back over a decade.

So there must be many accountants who are hoping that the hearing will make it clearer just how the ethical guidelines are to be interpreted.

Beyond that, there is probably not a great deal that can be said at this stage about the hearing itself. But it is perhaps a suitable moment to cast an eye over the 21-month history of the Polly Peck administration over which Mr Jordan and Mr Stone have presided, along with Mr Morris.

At the time of the group's collapse in October 1990, Polly Peck was by far the UK's largest and most daunting administration. Since then several of its *dramatis personae* among the administrators have resurfaced first in the BCCI liquidation and then in the Maxwell administration, but the scale of the challenge for Mr Jordan and Mr Stone remains undeniable.

Polly Peck in October 1990 seemed to be a case of a debt-ridden central operation in London with debt-free subsidiaries across the world that were either cash rich or which, like Sansui, needed some cash to turn them around but seemed to have reasonably good medium term prospects.

A few months earlier the group had been worth £2bn on the market, and only a week or two before it went into administration its bankers were being told that if there were to be a liquidation, there should be around £300m left over for the creditors.

Not surprisingly under these circumstances, and entirely creditably, Mr Jordan and Mr Stone decided that the best course would be to try and straighten out the group's affairs with a view to refloating it eventually on the stock exchange. They sold off a few of the group's fringe assets from Joseph Le Shark, the small textile company, to the sumptuous antiques collection at 42 Berkeley Square, the Polly Peck group headquarters, and persuaded the bankers (some of whom seem to have taken a relatively rosy view of the group's affairs even after it had collapsed) to inject a little more money – and off they went on a world tour.

Even Henry Kissinger might have blanched at the journeys that lay ahead of the Polly Peck administrators as they shuttled across the globe struggling to tie up a multitude of corporate loose ends – from Curacao to Taiwan and Hong Kong, and from the US to Nicosia and Istanbul.

There must be many accountants who are hoping that the hearing will make it clearer just how the ethical guidelines are to be interpreted.

Just in case any reader should feel a twinge of envy at all this jet-setting, it is only fair to report that these whistle-stop journeys for a few hours in foreign capitals cannot have been much fun. On the other hand they were inevitably very expensive.

By most standards the global shuttling was also not very productive, either for the businesses concerned or for the creditors. One grumble sometimes heard from the creditors is that the administrators did not take a very commercial approach to the hydra's head of decisions confronting them or do what corporate financiers might have done.

Sansui plunged into heavy losses last year, mainly because of write-offs of good will, and was sold off to a Hong Kong entrepreneur for a dollar.

Hopes of floating PPI Del Monte on the New York stock exchange were dangled before the creditors' committee last autumn, only to be withdrawn this spring when the price of bananas collapsed on the world market, thus depriving the administration of a deal that might have netted upwards of £400m for the creditors.

The other businesses in the group, *which reported turnover over* £1.16bn in 1989, have turned out to amount to relatively little in terms of saleable assets. Vestel, the Turkish consumer electronics operation, has survived but there has been a dramatic fall in its profits and market share and it has been shedding subsidiaries to raise cash.

There seems to be no chance of Vestel remitting substantial amounts to the rest of the group or of selling it off and raising money for the administration. Buyers seem to have been found for PPI's shipping line and perhaps also for the Antalya Sheraton Hotel. But there seems to be little chance of raising much from the fruit businesses.

An endless series of trips by the administrators to the Turkish Republic of Northern Cyprus has not unlocked either the records of the Polly Peck companies on the island or any cash balances in accounts there, or even secured control of the group's hotels there for the administration.

The most recent disappointment came when an attempt by the administration to take over Jasmine Court Hotel ended with a scrimmage and a fresh case for the Turkish Cypriot courts.

At the peak of the administration, Coopers had around 30 people working full time on Polly Peck and there are still between 10 and 15 employed. The services of a top administrator cost around £200 an hour, those of a junior accountant between £100 and £150. Not surprisingly, since October 1990 the costs of the administration (£13.1m) have dwarfed Polly Peck's salary bill (£5.02m). Lawyers' fees have made up a further £7.5m. They presumably include the £50,000 paid to Mr Menteş Aziz, the Nadir family lawyer, for his advisory services. Mr Aziz subsequently ended up on the receiving end of a Mareva injunction from the administrators who are now trying to reclaim £5.9m from him.

All in all, in 18 months Polly Peck had total income of £51.5m, a good chunk of it garnered from fire-sales of antiques, motor vehicles, and a yacht, and expenditure of £48.9m. Its far-flung cash rich subsidiaries ended up taking £11.44m for repayment of inter-company debt and not remitting profits to the parent company in London. A mere £2.5m was left over for creditors at the end of April this year and there is now talk of a payment of 3p in the pound or 11p on the most optimistic forecast.

One suspects that whatever is said behind those closed doors at the institute on Monday could be decorous and restrained compared to what is in store at the next meeting of Polly Peck's creditors.

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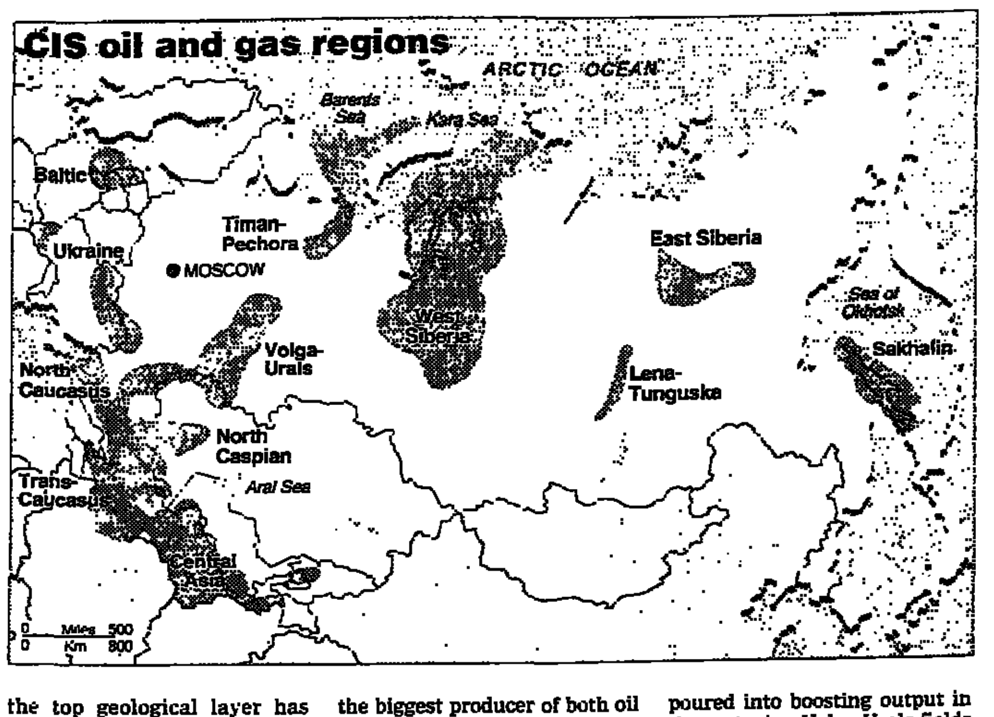
West needed to plug leaks in former Soviet oil sector

Neil Buckley begins a three-part series explaining why foreign investment is vital to an industry in crisis

THE VAST oil and gas reserves of the former Soviet Union have been the talk of the western oil industry for more than two years, but several recent events have added a new impetus to the great oil rush to the east.

In the space of two months came potentially the two largest deals yet struck with a former Soviet republic, Kazakhstan; Mr Boris Yeltsin's appeal to the G7 to write off a chunk of Russia's debt in return for a share of its natural resource; visits to the West by several high-ranking Russian officials seeking more investment; and the announcement of Russia's first government-backed oil industry trade fair in Tatarstan in October.

Russia has adopted the hard sell: in Tatarstan, data packages will be available for perusal, and helicopters will be ready to whisk western delegates off to the oilfields.



The slide in Russia's oil output has also focused attention on the sorry state of its industry. As Mr Vasili Fedorchenko, an energy expert from Russia's supreme economic council and a former head of a Siberian oil enterprise, impressed on a meeting of London oil executives and financiers last week: "If there is no reinvestment in the oil industry, it will collapse. To hesitate is to die."

The size of the former Soviet republics' reserves is staggering. They have 48 trillion (million million) cubic metres of natural gas, or two-and-a-half times as much as any other country. The republics also hold the world's seventh largest reserves of oil, at 58bn barrels.

These, moreover, are known reserves. In many areas only the top geological layer has been explored, with just 5 per cent of discovered oil and 12 per cent of gas at depths exceeding 3 km (1.86 miles). In the lower strata, there could be much more. Experts believe there is a high probability of discovering other giant or supergiant fields.

The Russian Federation holds 90 per cent of proven reserves, with 70 per cent in the Tyumen region of western Siberia. But significant quantities are also to be found in Kazakhstan – sometimes tipped to be a new Kuwait – and in Azerbaijan, as well as other republics such as Turkmenistan and Uzbekistan.

The energy sector received the bulk of investment in industry through to the 1980s, turning the Soviet Union into the biggest producer of both oil and gas in the world. At its peak, in 1988, it produced 12.7m barrels a day – equivalent to more than half of the combined output of members of the Organisation of Petroleum Exporting Countries. Gas production reached 740bn cu m in 1989 – more than the next six largest producers combined.

Oil and exports accounted for nearly half the Soviet Union's foreign currency income.

Since then, production has slumped. Oil output is estimated by the International Energy Agency to have fallen to 9.3m b/d for the second quarter of this year, and is still falling.

The blame for the decline lies partly with unbalanced development. Funds were poured into boosting output in the maturing Volga-Urals fields in the 1950s and 1960s when more should have gone into developing new discoveries in western Siberia. When attention shifted, belatedly, into Siberia, the Volga-Urals region was allowed to decline more rapidly than it should have. Fields were also over-pumped with inadequate technology. Clumsy water injection to lift oil has left some fields waterlogged.

The most immediate cause of the output decline is, however, rapidly falling investment. In 1989 the oil and gas industry received Rbs12.9bn; last year, Mr Fedorchenko said, it was Rbs8.7bn. This has forced the industry to cut back drastically on exploration needed to sustain the industry. More than 100 drilling teams were disbanded between 1988 and 1991, and total drilling dropped from 5.1m metres, to 3.8m.

Meanwhile, enterprises can no longer afford – or even obtain – replacements for ageing equipment and infrastructure. The main equipment plants are in Azerbaijan, Georgia and Ukraine (the principal supplier of pipelines and tubing), which all became independent states with the collapse of the Soviet Union, and are now demanding close to world prices for their goods.

Key equipment prices have risen by between four and 22 times, Mr Fedorchenko says, while some producing associations have been supplied with less than half the equipment they needed.

The pipeline situation is especially acute. Some estimates show that more than 10 per cent of oil and gas leaks from the 300,000 km of pipeline in the former Soviet Union. This can have serious environmental and safety implications. In June 1989, gas leaking from a pipeline beside a railway line exploded as two trains were passing near Ufa, in the Urals, killing 600 people.

An adviser to the Russian energy ministry told last week of obsolete pipelines being dug out of the ground and re-used in new locations, because of the shortage of new piping.

The tasks – and the opportunities – for foreign companies and investors are immense.

Paradoxically, however, many observers consider the most important task to be investment in energy-saving technology rather than in the oil industry itself. Russia expends nearly twice as much energy per head of population as western countries, and must cut its own consumption if it is to reap maximum benefits from its energy industry.

In the oil industry, western experts suggest a three-pronged approach is necessary.

A first, relatively easy step, is improving field management, and retraining engineers and managers. Simply by "tweaking" equipment, some experts suggest output could be raised by 10 per cent or more.

The second step is for western companies to become involved in boosting production from existing fields. Mr Sergei Roginko, a member of acting Russian prime minister Mr Yegor Gaidar's secretariat, said in London this week that the introduction of western technology could double the production possible with Russian technology in many cases. Elsewhere, where fields have been damaged or waterlogged, whole new seismic and drilling programmes may be needed.

The third step is the development of new fields, and exploration for more. The attractions of such developments are clear but so, too, are the pitfalls. Not the least of the latter is the remoteness of some fields and the huge investment required in infrastructure and communications. Ironically, some fields are so large only a drastic upturn in the western oil industry, and in oil prices and demand, could allow even western companies to consider developing them.

Further articles in this series will be published on July 31, looking at the improving commercial climate for foreign investors; and on August 7, covering deals signed so far with western companies.

Issues unresolved as cocoa pact talks draw to a close

By Frances Williams in Geneva

THREE WEEKS of negotiations on a new international cocoa agreement are set to end today, with producers and consumers still far apart on key issues.

There has been tacit acceptance by producing countries of the withholding scheme for stabilising prices proposed by consumers. But there has been no meeting of minds on the price level to be defended, the amount of cocoa to be withheld from the market, or how the scheme is to be financed.

Delegates from the 40 member countries of the International Cocoa Organisation (ICCO) have agreed to return to Geneva for two weeks at the beginning of November for a third attempt to finalise an agreement. The current pact, negotiated under the auspices of the United Nations Conference on Trade and Development (Unctad), expires in September 1993.

Producers want the new accord to defend a price range of SDR1,485-2,155 per tonne, with a median price of SDR1,820, or just over £1,400. This is more than double current market levels. The present cocoa pact's inability to defend the same price range led to the suspension of buffer stock operations in 1988.

Consumers are proposing a range of SDR800-1,200 a tonne, with a median price of SDR1,000 (about £770). This corresponds to the average market price over the four years since 1988.

Producers this week conceded that a ceiling could be imposed on withholding levels. But the 600,000 tonne limit proposed by Mr Kouame N'Guessan of the Ivory Coast, which he argues would enable the accord to defend a bottom price level of SDR1,400 (£1,078) a tonne, is twice that envisaged by consumers.

Consuming countries want tough production controls from the start of the new accord to bring supply and demand into better balance. Both sides have agreed in principle to the establishment of a producer committee within the ICCO to co-ordinate a "production management programme". But producers claim that output curbs will not start to bite for three to four years.

On financing, consumers want the cost to be met first from the payment of arrears, then by controlled sales from the existing 240,000 tonne buffer stock and only later, under certain conditions, by a levy on cocoa trade as proposed by producers. The ICCO's biggest debtors are the Ivory Coast and Brazil, the two largest producers.

Philippines to allow sugar imports on raised tariff

By Jose Galang in Manila

THE PHILIPPINES is lifting restrictions on the importation of sugar, even though the country is a major producer of the commodity.

Mr Fidel Ramos, the Philippine president, confirmed the move this week despite local producers' and millers' protests at sugar's inclusion among 43 items listed in an import liberalisation plan published last month. The protests had prompted a review by a government panel.

The lifting of restrictions will coincide with an increase in the import tariff on sugar from 50 per cent to 75 per cent, which is expected to take effect in October.

Last week sugar industry leaders presented a petition to Mr Ramos seeking increased import tariffs on sugar, both raw and refined, and on artificial sweeteners.

Mr Ramos had declared that his government, installed on June 30, would move towards greater deregulation of domestic industries and privatisation of more state enterprises. He said last week, however: "Some basic industries in the Philippines need time to become more competitive through the acquisition of newer equipment and the development of better processes".

Sugar Industry leaders say that prices of sugar currently being offered in the world market are lower by up to 60 per cent than the average cost of production in the Philippines. The 75 per cent import tariff on raw sugar will be returned to 50 per cent in 1995.

The Philippines is expected to produce some 2.1m tonnes of sugar in the crop year ending this August. Domestic consumption is estimated at some 1.6m tonnes and the country's quota in the US, its traditional market for sugar, is now down to only 178,380 tonnes. Industry leaders say exports to the world market are inevitable.

Bolivia's state mining corporation to make hundreds redundant

By Chris Philipsborn in La Paz

COMIBOL, BOLIVIA'S loss-making state mining corporation has embarked on a big redundancy programme prompted in part by the World Bank. The move is widely expected to trigger widespread industrial action.

The corporation currently employs some 6,156 workers. To date, 304 have been issued with redundancy letters, all of them in administration. Mining minster Alvaro Rejas said further redundancies could take place within Comibol's administration "because it is a huge bureaucracy".

However, 526 miners in San Jose, formerly a tin mine, but currently producing uneconomic amounts of silver and lead, are also expected to go. The threatened San Jose job losses have been described by the COB, the Confederation of Bolivian Unions, as "unacceptable". COB is currently organising a 48-hour general strike due to begin on Monday.

Comibol was partly forced into announcing the redundancies by the World Bank, which has been withholding a $22m credit to restructure the corporation in protest at the slow pace of change.

The World Bank credit was first extended in 1989. Its aim was to revitalise and modernise the Bolivian mining sector, which had been hard hit by the collapse in tin prices in 1985. Rather than opt for full scale privatisation, which remains unconstitutional, the Bolivian government instead saw Comibol's future in joint ventures with private enterprises. The corporation was to concentrate on overseeing exploration, exploitation and leasing contracts and curtail its loss-making mining operation.

Over 21,000 employees have been shed since 1985. However, the move towards joint ventures since 1991 has been slow. Although the first joint venture agreement was signed last December with Compania de Minerales Especializados (Cominesa), a number of mining companies interested in joint ventures with Comibol backed off. These include the Bolivian company Bartos and Anglo-Irish group PanAndean. Perhaps even worse, the latest joint venture deal, signed by Mineraco Taboca, a subsidiary of the Brazilian group Paranapanema, resulted in strike action by the local miners.

An assessment is being made of Comibol's restructuring needs and a full report is expected by the end of this year. The process has been slowed by long strikes at the end of last year, in January, and localised action recently.

Comibol blamed its first quarter loss this year of $2.7m on industrial action.

However, the mining picture in Bolivia as a whole is far from bleak. The Medium Mines Association, an umbrella organisation which includes a number of US subsidiaries, has diversified away from tin and invested in modern machinery and methods. Inti Raimy, a subsidiary of Battle Mountain Gold, is to invest $710m in its gold and silver operations here. Cyprus Minerals is hopeful about signing exploration deals with Comibol covering the huge Los Lipez region. RTZ recently uncovered Pucionorte, a gold deposit which will be exploited by Comsur, Bolivia's largest private mining enterprise.

Bolivian mining in general has enjoyed growth of between 14 and 53 per cent from 1987 to 1990. Perhaps due to the worldwide recession, growth last year was down to 2 per cent. Comibol's production actually rose by 20 per cent in 1991, but its share in Bolivia's overall production continues to slip – from 63 per cent of the total in 1980 to 27 per cent last year.

There is no escaping the fact that Bolivian mining still faces serious labour, bureaucracy and infrastructure difficulties. Comibol in particular has been unable to adapt, as the Medium Mines have done, to new market conditions quickly enough.

The government, however, remains committed to the restructuring of Comibol. The question is: how quickly should it be done? As Mr Rejas, the mining minister, explains: "You have to understand that this period of transformation requires time. Our country has had a very static mining culture since mines were nationalised in 1952. But we are aware that the state can no longer afford to invest in even productive operations."

WORLD COMMODITIES PRICES

MARKET REPORT

THE ANC's threat of strikes in South Africa prompted a sharp bounce in the **PLATINUM** price yesterday, following substantial falls earlier this week. The afternoon fixing in London saw the price at $383.40 a troy ounce, up $6.15 from Wednesday's fix, though it drifted lower in later trading. Meanwhile the **GOLD** price, having been fixed at a fresh 7-month high of $359.50 an ounce, eased back to close at $358.75 an ounce, down 50 cents on the day. Gold chart patterns still looked positive, analysts said, noting the lack of stiff resistance up to $370 an ounce. Jitters in the financial markets and the dollar's recent plunge to near record lows against the mark had sent funds surging into the metal, they added. **COCOA** prices built on this week's rally, with London's September futures position ending at £599 a tonne, up £14. Dealers attributed the advance to speculative buying and the continued absence of producer selling, underpinned by the Ghanaian cocoa workers strike and dry weather in the Ivory Coast. Most London Metal Exchange contracts lost some of Wednesday's gains. The main exception was **TIN**, which rose another $72.50 in the cash position to $7,120 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-8.55	
Brent Blend (dated)	$20.40-0.45	+.125
Brent Blend (Sep)	$20.50-20.55	+0.10
W.T.I (1 pm est)	$21.85-1.90y	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-228	+1
Gas Oil	$189-190	+5.5
Heavy Fuel Oil	$85-88	+0.5
Naphtha	$198-200	+1.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$358.75	-0.50
Silver (per troy oz)♣ §§	400.0c	+2.00
Platinum (per troy oz)	$383.40	+6.15
Palladium (per troy oz)	$90.75	+3.25
Copper (US Producer)	119.6c	-0.1
Lead (US Producer)	38.3c	
Tin (Kuala Lumpur market)	17.25r	+0.29
Tin (New York)	325.5c	+12.5
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	112.50	+0.23*
Sheep (live weight)†♠	77.06p	+0.43*
Pigs (live weight)†	84.32p	-4.58*
London daily sugar (raw)	$272.6w	-0.4
London daily sugar (white)	$298.5w	+2.5
Tate and Lyle export price	£252.00	-0.5
Barley (English feed)	£110.00w	
Maize (US No. 3 yellow)	£150.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	51.25p	
Rubber (Sep)♥	51.25p	
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$500.0t	-12.5
Palm Oil (Malaysian)§	$380.0y	
Copra (Philippines)§	$337.5	-2.5
Soyabeans (US)	£138.50	
Cotton "A" index	65.10c	
Wooltops (64s Super)	391p	+4

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg.t-Sep/Oct w-Jul/Aug y-Sep z-Aug. . †Meat Commission average livestock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices. §§Correction for 16/7/92 394.0c

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	222.80	224.40	224.40 224.00
Dec	209.00	207.20	205.00
Mar	211.40	209.50	212.00 211.80
Aug	206.00	205.80	206.00
White	**Close**	**Previous**	**High/Low**
Oct	273.10	273.30	273.90 272.00
Mar	272.50	273.00	273.50 272.50

Turnover: Raw 104 (652) lots of 50 tonnes. White 234 (512) Paris- White (FFr per tonne): Oct 1381.35 Dec 1377.15

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Sep	20.52	20.44	20.60 20.44
Oct	20.47	20.39	20.54 20.38
Nov	20.40	20.32	20.46 20.25
Dec	20.50	20.22	20.35 20.21
Jan	20.17	20.11	20.19 20.17
Feb	20.04	20.00	20.08 20.04
IPE Index	*20.35*	*20.28*	*20.35*

Turnover 19008 (21109)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Aug	188.50	187.50	189.25 188.00
Sep	190.25	189.25	191.00 189.50
Oct	192.75	191.75	193.50 192.25
Nov	194.75	193.50	195.00 193.50
Dec	195.75	194.50	196.00 195.00
Jan	194.25	193.25	194.25
Mar	186.00	184.75	185.50

Turnover 10616 (7997) lots of 100 tonnes

FRUIT & VEGETABLES

Spania plums are excellent this week at 40-60p a lb (60-80p). Bananas at 45-55p a lb (45-55p). English raspberries at £1.00-1.20 a lb (£1.30-1.50) and pineapples at 80p-£1.50 (80p-£1.50) each, are all good buys. There is a bumper summer-crop of English cauliflower in the shops this week at 30-40p *a head (50-60p). Homegrown new potatoes* at 10-15p a lb (10-15p), broad beans at 25-35p a lb (30-40p) and carrots at 12-20p a lb (12-15p) are all in peak season. English and Dutch peppers are this week's best salad buy at 70p-£1.00 (95p-£1.10). All types of lettuce are plentiful with English iceberg at 55-65p a head (45-60p).

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	580	578	586 580
Sep	599	585	607 586
Dec	630	615	637 625
Mar	659	645	666 655
May	678	663	685 673
Jul	697	682	698 693
Dec	742	724	737
Mar	769	765	775 764

Turnover: 5823 (2873) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jul 22 744.95 (732.36) 10 day average for Jul 23 758.17 (761.04)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	749	758	756 748
Sep	770	773	771 763
Nov	782	783	785 775
Jan	796	800	800 790
Mar	815	815	816 810
May	826	830	829 826

Turnover: 1295 (1956) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jul 23: Comp. daily 50.03 (49.99) 15 day average 49.14 (48.89)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	69.2	71.2	70.5 69.1

Turnover 81 (33) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	119.50	-	119.50
Oct	120.00	-	120.00
Dec	122.00	122.50	122.00

Turnover 100 (50) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jul	1065	1084	1085 1083
Aug	1110	1115	1122 1110
Sep	1145	1140	1155 1145
Oct	1230	1227	1230
Jan	1250	1245	1255 1245
Oct	1300	1295	1300
BFI	1068	1063	1068

Turnover 230 (305)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	115.35	115.00	115.35 115.25
Jan	118.95	118.40	118.95 118.75
Barley	**Close**	**Previous**	**High/Low**
Sep	110.20	109.60	110.20
Nov	113.60	113.60	113.60
Jan	117.50	117.10	117.50
May	121.60	119.55	121.60

Turnover: Wheat 153 (192), Barley 56 (57). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	117.0	-	118.8
Aug	108.8	-	106.5
Oct	104.0	104.0	103.0
Nov	104.0	-	102.5

Turnover:90 (2) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,595 lots
Cash	1325.5-6.5	1326.5-7.5		1330.5-1.0		
3 months	1349-50	1350.5-1.0	1359/1349	1353.5-4.0	1353-4	172,121 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,702 lots
Cash	1342-3	1353.5-4.5	1342/1342	1341.5-2.0		
3 months	1361.5-3.0	1372-2.5	1366/1358	1361-1.5	1364-5	137,456 lots
Lead (£ per tonne)						Total daily turnover 8,256 lots
Cash	345-5.5	348-9		345.5-6.5		
3 months	355-5.5	358-9	357/355	356-6.5	353-4	27,344 lots
Nickel ($ per tonne)						Total daily turnover 3,177 lots
Cash	7595-605	7520-30		7570-5		
3 months	7660-5	7590-5	7670/7610	7638-40	7650-60	25,193 lots
Tin ($ per tonne)						Total daily turnover 2,120 lots
Cash	7115-25	7045-50		7100-10		
3 months	7145-50	7075-80	7180/7070	7130-5	7085-90	11,949 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,511 lots
Cash	1349-50	1362-3	1351/1350	1350-0.5		
3 months	1363.5-4.5	1376-7	1370/1358	1362-3	1361-2	72,503 lots

LME Closing £/$ rate: SPOT: 1.9124 3 months: 1.8817 6 months: 1.8525 9 months: 1.8257

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	358.60-358.90	
Opening	359.40-359.80	
Morning fix	359.30	188.312
Afternoon fix	359.50	188.368
Day's high	361.10-361.40	
Day's low	358.30-358.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.79	6 months	2.80
2 months	2.80	12 months	2.87
3 months	2.80		

Silver fix	p/troy oz	US cts equiv
Spot	210.35	401.25
3 months	215.75	404.60
6 months	221.05	408.00
12 months	232.00	416.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	359.00-361.00	188.00-190.00
Maple leaf	369.35-371.70	-
New Sovereign	85.00-88.00	46.00-48.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	54	86	10	23
1350	24	57	30	42
1400	8	34	64	69
Copper (Grade A)	**Calls**		**Puts**	
2550	70	84	34	86
2600	44	63	58	114
2650	26	46	89	146
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	73	3	95	12
750	38	15	61	26
800	15	42	36	53
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	8	34	39	34
650	3	54	29	49
700	1	77	21	66
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	69	76	18	37
2050	39		34	60
2100	20	37		

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.97	21.84	22.00	21.84
Oct	21.87	21.72	21.88	21.74
Nov	21.75	21.61	21.77	21.64
Dec	21.65	21.50	21.65	21.58
Jan	21.54	21.37	21.50	21.40
Feb	21.35	21.24	21.35	21.26
Mar	21.20	21.10	21.20	21.10
Apr	21.10	20.97	21.07	21.06
May	20.94	20.86	20.88	20.88
Jun	20.81	20.75	20.83	20.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	6180	6098	6185	6130
Sep	6240	6167	6260	6200
Oct	6325	6262	6340	6285
Nov	6420	6347	6420	6380
Dec	6485	6416	6490	6455
Jan	6495	6435	6500	6470
Feb	6385	6330	6390	6345
Mar	6120	6080	6126	6105
Apr	5885	5865	5915	5880
May	5730	5700	5730	5730

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	358.6	358.9	0	0
Aug	358.9	359.3	361.2	358.5
Sep	359.7	360.1	0	0
Oct	360.7	361.1	362.8	360.2
Dec	362.6	363.0	365.0	362.2
Feb	364.5	364.9	367.0	364.5
Apr	366.3	366.7	0	0
Jun	368.2	368.6	0	0
Aug	370.2	370.7	370.0	370.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	384.5	381.3	386.0	383.5
Oct	382.5	381.8	385.8	382.0
Jan	380.0	379.6	385.0	379.5
Apr	380.0	379.8	381.0	380.5
Jul	381.0	380.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	396.0	396.9	396.5	396.5
Aug	396.7	397.7	0	0
Sep	397.7	398.7	401.5	397.0
Dec	401.8	402.8	405.0	401.5
Jan	403.3	404.3	0	0
Mar	406.2	407.2	409.0	407.0
May	409.1	410.2	411.5	411.5
Jul	411.9	413.2	416.5	412.0
Sep	414.8	416.2	0	0
Dec	419.4	421.1	421.0	421.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	115.40	115.00	116.20	114.50
Aug	115.45	115.05	116.00	114.70
Sep	115.50	115.15	116.40	114.50
Oct	115.00	114.70	115.50	115.50
Nov	114.75	114.50	0	0
Dec	114.55	114.30	115.20	113.60
Jan	114.00	113.75	114.00	114.00
Feb	113.50	113.25	0	0
Mar	112.95	112.70	113.50	112.20
Apr	112.25	112.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.91	10.02	10.10	9.90
Mar	9.56	9.61	9.67	9.55
May	9.48	9.56	9.57	9.48
Jul	9.44	9.50	9.52	9.45
Oct	9.32	9.35	9.44	9.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	985	987	1009	983
Dec	1044	1044	1068	1043
Mar	1093	1095	1115	1093
May	1122	1124	1145	1137
Jul	1148	1150	1176	1161
Sep	1178	1180	1205	1200
Dec	1211	1213	0	0
Mar	1260	1262	1270	1263
May	1278	1280	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	60.95	61.35	62.10	60.60
Dec	63.15	63.50	64.25	62.85
Mar	65.65	66.00	66.80	65.40
May	69.80	70.00	70.50	69.90
Jul	71.85	71.95	72.55	72.55
Sep	73.50	73.90	73.50	73.50
Dec	75.90	77.00	77.00	77.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	63.45	63.48	63.94	63.40
Dec	62.19	62.18	62.50	61.95
Mar	63.23	63.27	63.45	62.90
May	63.98	64.06	64.06	63.75
Jul	64.40	64.43	64.40	64.30
Oct	63.41	63.36	0	0
Dec	63.36	63.32	63.45	63.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	115.80	117.65	117.25	115.75
Nov	112.20	113.50	113.30	112.10
Jan	111.25	112.70	112.60	111.20
Mar	111.80	112.95	112.75	111.65
May	112.00	112.95	112.30	112.25
Jul	111.55	112.65	112.75	112.75
Sep	111.55	112.65	112.25	112.25
Nov	111.55	112.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul.23	Jul 22	mnth ago	yr ago
1573.2	1566.8	1571.3	1697.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.22	Jul 21	mnth ago	yr ago
Spot	118.06	119.20	119.61	122.66
Futures	119.39	119.03	119.76	122.16

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	553/4	558/2	559/0	553/0
Sep	553/6	559/0	560/0	553/4
Nov	557/2	563/0	564/0	557/0
Jan	564/6	570/6	571/6	564/4
Mar	573/2	579/2	579/4	573/0
May	579/6	586/2	586/4	579/4
Jul	583/4	590/2	591/0	583/0
Aug	582/0	586/4	587/0	582/0
Nov	581/0	583/4	584/0	580/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.87	19.09	19.16	18.86
Sep	19.02	19.22	19.31	19.01
Oct	19.19	19.38	19.48	19.19
Dec	19.46	19.72	19.78	19.43
Jan	19.62	19.85	19.92	19.62
Mar	19.93	20.15	20.20	19.90
May	20.18	20.40	20.48	20.18
Jul	20.38	20.58	0	0
Aug	20.50	20.65	20.70	20.50
Sep	20.55	20.68	20.75	20.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	172.5	173.3	173.2	172.1
Sep	173.4	173.9	174.2	173.1
Oct	190.7	191.4	191.4	190.3
Dec	189.9	191.1	191.0	189.5
Jan	189.4	190.7	190.6	189.4
Mar	189.3	189.9	190.0	189.3
May	188.4	189.2	189.2	188.4
Jul	188.1	188.9	189.5	189.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	223/4	225/6	225/6	223/2
Dec	227/6	230/0	230/2	227/2
Mar	236/4	238/4	238/6	236/2
May	242/0	243/6	244/0	242/0
Jul	246/2	246/0	248/0	245/6
Sep	245/2	246/6	246/4	245/2
Dec	245/2	248/2	246/6	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	337/0	340/6	341/0	336/0
Dec	346/6	350/6	351/4	345/2
Mar	350/4	353/4	353/6	349/0
May	341/0	344/2	344/0	340/4
Jul	324/2	326/2	327/0	322/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.200	73.075	73.300	72.825
Oct	72.700	72.750	72.800	72.525
Dec	71.200	71.200	71.325	70.950
Feb	70.675	70.575	70.800	70.400
Apr	71.800	71.725	71.800	71.560
Jun	68.950	68.950	69.050	68.900
Aug	67.850	67.800	67.975	67.850

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	45.800	45.975	45.950	45.400
Aug	43.725	43.750	43.825	43.400
Oct	38.675	38.750	38.975	38.625
Dec	40.025	40.100	40.150	39.850
Feb	41.075	41.100	41.300	41.000
Apr	39.825	39.825	39.825	39.600
Jun	45.325	45.350	45.350	45.200
Aug	43.400	43.500	0	43.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	33.650	31.800	33.700	31.300
Aug	29.625	28.650	29.750	28.400
Feb	38.750	38.050	39.900	37.950
Mar	38.950	38.125	39.550	37.550
May	39.950	39.050	40.600	39.000
Jul	38.200	38.200	39.800	0
Aug	39.250	37.250	39.250	39.250

LONDON STOCK EXCHANGE

Cautious rally helped by retail sector

By Terry Byland, UK Stock Market Editor

THE GLOOM lifted a little on the UK stock market yesterday as faint glimmers of economic recovery at home were encouraged by a steadier tone in sterling and in the other European stock markets. However, a gain of 11.6 still left the FT-SE Index just short of the 2,400 mark and strategists were wary of identifying any change in the generally negative trend of the market.

The Footsie closed at 2,399.5, the best of the day, and Seaq trading volume increased to 512.2m shares from the 428.1m of the previous session. The stock market was relieved that the changes in UK government spending policies, hinted at in the City of London on the previous day, proved less immediately threatening to public investment than feared.

Building and construction shares, most at risk from cuts in public spending, had a calmer session.

More positive for investors was the view expressed by the British Chambers of Commerce that the domestic economy was staging a fragile recovery.

Equities were slow to respond, however, until the annual meeting of Boots, the high street retailer and drugs group, was told that sales were 10.8 per cent up in the first quarter of the year. "Bucking the trend," was the view from the boardroom but equity traders took the statement more favourably.

Account Dealing Dates		
*First Dealings:		
Jul 13	Jul 27	Aug 10
Option Declarations:		
Jul 23	Aug 6	Aug 20
Last Dealings:		
Jul 24	Aug 7	Aug 21
Account Day:		
Aug 3	Aug 17	Sep 1

*New time dealings may take place from 9.30 am two business days earlier.

Nevertheless in spite of a modest improvement in sterling, the international scene continued to provide uncertainties for London which was unsettled by an increase in a key Spanish interest rate.

Confidence was also restrained by a sharp fall in British Aerospace as a large block of stock was placed in the market. The Footsie also suffered the effects of a heavy setback in Reuters as the weight of analysts' opinion came down increasingly on a negative view of this week's trading statement.

But the bears – traders who sold stock last week when the Footsie was around 3.4 per cent higher than at present and must meet commitments before the equity account closes tonight – were buyers yesterday. With the September contract on the Footsie edging above 2,400, the underlying equity market staged a technical rally in the second half of the session. Dealers doubted if yesterday's retail or customer business would be worth much more than the £715.9m of the previous session; retail business has for some weeks now remained below the £1bn mark regarded as the indication of a seriously traded equity market. For UK securities houses, the problems of low turnover are now compounded by serious losses in several leading Footsie stocks.

The good news from Boots brought a general improvement in store and retail issues. Banking stocks also looked very firm but this largely reflected a recommendation from a UK brokerage house.

Heavyweight manufacturing stocks remained uninspired. Wellcome edged higher to 830p as the market awaited the outcome today of the share tender operation. The rest of the pharmaceutical sector, which has attracted investors over the past fortnight, gave ground and closed quietly.

FINANCIAL TIMES STOCK INDICES

	July 23	July 22	July 21	July 20	July 17	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.19	89.21	89.19	88.96	89.33	84.74	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.76	105.74	105.69	105.69	106.14	93.95	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1808.1	1803.0	1831.0	1824.1	1852.1	1998.2	2149.7 (22/5)	1803.0 (22/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	93.6	93.3	96.7	95.8	94.0	188.6	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2399.5	2387.9	2415.6	2403.7	2431.9	2579.6	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1094.87	1095.41	1109.52	1109.13	1131.06	1168.01	1248.79 (11/5)	1094.87 (23/7)	1248.79 (11/5/92)	938.82 (16/1/91)
●Ord. Div. Yield	5.11	5.11	5.04	5.05	4.98	4.74	Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.85.			
●Earning Yld %(full)	7.39	7.40	7.26	7.27	7.17	6.14				
●P/E Ratio(Net)(☆)	17.03	17.02	17.35	17.32	17.57	15.18				
SEAQ Bargns 5.00pm	19,583	18,612	20,485	23,153	20,480	29,383				
Equity Turnover(£m)†	-	715.9	864.1	950.0	903.9	958.2				
Equity Bargains†	-	20,185	22,239	24,883	22,646	31,000				
Shares Traded (ml)†	-	339.9	378.4	387.3	413.8	454.8				

Ordinary Share Index, Hourly changes — Day's High 1808.2 — Day's Low 1788.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1799.9	1793.2	1798.8	1798.1	1795.6	1788.7	1788.6	1794.9	1804.1

FT-SE 100, Hourly changes — Day's High 2399.6 — Day's Low 2374.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2388.0	2382.0	2390.9	2386.7	2383.8	2375.3	2374.4	2382.5	2395.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1099.74 — Day's Low 1088.49

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1098.43	1099.35	1096.93	1094.59	1090.06	1089.49	1093.82

GILT EDGED ACTIVITY

Indices*	July 22	July 21
Gilt Edged Bargains	90.4	87.5
5 – Day average	91.7	91.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

BAe hit by share placing

THE PLACING of a large line of stock in British Aerospace sent the shares tumbling to a five-year low, making BAe one of the day's worst performing stocks in the FT-SE list in percentage terms.

At the day's low, the shares were down 21 at 188p as dealers reacted to a placing by securities house S.G. Warburg of a block of 5.5m early in the session at 185p a share. Later, bargain hunters helped the stock to end a net 10 down at 199p, on hefty turnover of 15m.

The sale of the block of BAe shares at well below the market price inspired a renewed spate of negative stories regarding the woes of one of the UK's leading manufacturing companies, and in particular over the company's cash position.

Reuters crumbles

Dealers were surprised by the speed of a fresh fall in Reuters shares. The stock was under no pressure at the outset yesterday but plunged in mid-morning when a block of 400,000 shares were said to have been offered around the market by one leading securities house, with no takers. Other marketmakers responded by chopping their quotations.

By the close the shares had weakened 60 to 1030p after relatively keen turnover of 1.8m. So far this week the stock has fallen by 134p.

The shares have been under sustained selling pressure all week following the interim profits statement which was accompanied by a cautious comment on revenue outlook. A presentation to analysts in New York on Wednesday evening was believed to have gone well, however.

Boots optimism

An optimistic trading statement from Boots took the market by surprise, the shares jumping 19 to 447p in heavy turnover of 4.4m. Chairman Sir Christopher Benson told the annual meeting "we are bucking the trend", and disclosed that group sales were up 10.8 per cent in the first quarter.

Analysts suggested that sales growth of 7 or 8 per cent would have been more than acceptable and that these figures are exceptionally good. Mr Ian Macdougall, at Nomura Research, said this shows that in spite of a depressed retail background it is still possible to do well, but he warned against using Boots as a guide for the whole sector.

Nomura, which admits to being towards the bottom of market forecasts on Boots, lifted its profits forecast for 1992/93 to £410m from £395m.

Amstrad shock

Recent worries about trading at Amstrad proved well-founded as the group disclosed that losses in the year to end-June will be approximately £25m higher than it had previously expected.

The news saw Amstrad shares drop to 24p before late support left them only a net penny down at 29p. The rally came when the market decided that the group was likely to maintain the dividend in view of its £100m cash holding.

Turnover was a heavy 26m, with one leading agency broker said to have been offering a sizeable block of shares during the afternoon. Two blocks of 5m and another of 1.5m were traded at 26½p late in the day.

The stakebuilding story in Mirror Group Newspapers continued, with the shares pushed 3¾ higher to 69p on turnover of 6.2m. Since the MGN relisting last Friday some 54.8m of the shares have changed hands.

Dealers said it was entirely feasible that a stakebuilder could have acquired a near 3 per cent holding, or around 14m shares, but that any stake in excess of 3 per cent would have to be revealed by today.

Dealers in Lucas Industries quickly moved to sell the shares after what appeared to be a severe downgrade from Midlands-based broker Albert E. Sharp, making the stock the day's worst market performer in percentage terms.

The shares fell 7 to 102p, after traders at first failed to take note of a £90m pension fund refund, thus mistaking a £10m current-year profits downgrade to £15m from the broker as a much bigger cut.

Sentiment was further weakened by a lowering of estimates from UBS Phillips & Drew, which is predicting that the company will make no profits this year, and from Strauss Turnbull, which is forecasting an underlying loss.

Spring Ram dropped to 122p before stabilising and closing 7 down at 126p after an agency cross of some 3.9m shares at 122p, thought to have been carried out by the group's own broker, Panmure Gordon.

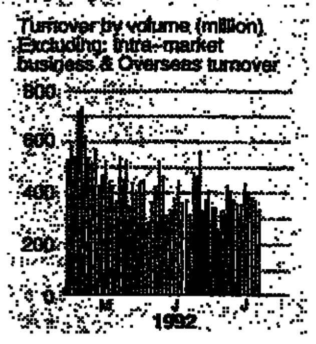
A big agency cross of some 5m shares at 330p was partly responsible for turnover of 17m in HSBC, which ended 2½ off at 335p.

The banks sector provided two exceptionally strong performers in Barclays and Lloyds, both of which were given a strong push by the banks team at Robert Fleming Securities. The broker issued buy notes on both stocks. On Barclays, Fleming said the shares were "oversold", that the bank's underlying profits growth before bad debts this year "would be the best of the major UK banks", and that a dividend cut at the interim and final stages is "unlikely and unnecessary". Barclays closed 14 higher at 314p and Lloyds 12 better at 421p.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



BP delivered the outstanding performance in a mixed oil sector, advancing 5 to 207p on notably high turnover of 16m. Specialists said the stock was boosted by a mixture of switching from Shell and straight buying from overseas.

The closure of the tender offer in Wellcome shares today was enlivened by a statement from the company that it would not sell any shares below £8 and that it was willing to reduce the amount of shares on offer – initially 330m – in order to create a healthy after-market. Wellcome firmed a penny to 830p.

Lloyds Chemists surged ahead 36 to 235p on turnover of 2.4m shares, helped by good news from Boots and by a reassuring statement from Mr Allen Lloyd, the chairman and chief executive.

New shares in Taunton Cider closed 13 above the offer price, at 153p.

In spite of pleading strong attendances, Euro Disney said high costs would push it into the red for the first quarter to September 1992. The news left the shares 8 off at 1015p, their lowest since January last year.

MARKET REPORTERS:
Joel Kibazo, Colin Millham, Christopher Price, Steve Thompson.

■ Other market statistics, Page 22

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AGT	4	455	-3	Comm. Union	886	427	+5	Lonrho	4,500	82	+5	Shell Transport	4,000	457	-4
ASDA Group	3,900	26½		Cookson	335	133		Lucas	4,800	102	-7	Siebe	147	636	-3
Abbey National	3,100	287	+8	Courtaulds	439	468	+8	MB Caradon	295	230	+12	Slough Ests	684	125	-2
Albert Fisher	2,900	38	+2½	Dalgety	299	401	+6	MEPC	172	265	-2	Smith (W H) A	2,300	378	-3
Allied-Lyons	1,100	620	+11	De La Rue	165	565	+10	Manweb	829	353	-1	Smith & Nephew	3,200	139½	-2
Amstrad	25,000	25	-1	Dixons	722	209	+6	Marks & Spencer	1,700	307	+4	SmKl Beecham	3,400	450	-4
Anglian Water	737	401	+2	Eastern Elect.	1,000	280	-3	Midlands Elect.	392	309	-3	SmKl Beecham Uts	886	409	-4
Argos	1,220	221	+3	East Midland Elect.	209	297	+2	NFC	860	224	-8	Smiths Inds.	223	395	
Argyll Group	2,230	344½	-2½	Eng China Clays	896	449	-5	NatWest Bank	2,700	320	+11	Southern Elect.	614	298	-5
Arjo Wiggins	1,820	218	+5	Enterprise Oil	832	326	+½	National Power	2,000	247	-2	South Wales Elect.	83	355	+1
Ass. Brit Foods	15	405	+3	Eurotunnel Units	398	305		Next	1,600	89½		South West Water	47	412	+1
Ass. Brit. Ports	133	284	+2	FKI	508	75	-½	North West Water	286	424	-1	South West Elect.	729	304	-1
[illegible]															
Brit. Aerospace	15,000	199	-10	IMI	58	236		Rolls Royce	3,200	145	-1	Utd Newspapers	221	394	+6
British Airways	3,000	258	+2½	ICI	764	1116	-1	Rothmans	464	1057	+3	Vodafone	1,800	308	+1
British Gas	3,400	241½	-1½	Inchcape	850	411	-8	Ryl Bk Scotland	3,900	178	+3	Warburg (SG)	15	466	+1
British Land	281	179	-7	Kingfisher	1,300	441	+16	Royal Insurance	1,200	181	-2	Wellcome	280	830	+1
British Steel	11,000	54½	-1½	Kwik Save	537	634	+6	Saatchi	123	115	-4	Welsh Water	144	439	-1
Bunzl	54	86	+1	Ladbroke	6,600	175	+17	Sainsbury	2,900	448	+11	Wessex Water	286	494	+3
Burmah Castrol	429	546	+9	Land Securities	442	385	-2	Scottish & New	860	437	+3	Whitbread 'A'	2,500	406	+14
Burton	1,400	38½	+2	Laporte	428	545	-1	Scot. Hydro-Elect.	1,200	196½	-1½	Williams Hldgs.	783	262	+5
Cable & Wire.	1,100	525	+2	Legal & General	791	337	+4	Scottish Power	1,700	183	-2	Willis Corroon	3,800	207	+3
Cadbury Schweppes	923	465		Lloyds Abbey	453	350	-5	Sears	985	75	+1	Wimpey	435	112	-2
Calor Group	18	179	+2	Lloyds Bank	2,500	420	+11	Sedgwick	457	163	+2	Wolseley	186	318	
Carlton Comms	1,800	584	-1	LASMO	1,800	125		Seeboard	597	313		Yorkshire Elect.	80	345	
Coats Viyella	2,700	173	+5	London Elect.	437	298	-4	Severn Trent Water	395	390	+1	Yorkshire Water	861	451	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A STRONG squeeze towards the close of yesterday's session helped the September FT-SE contract regain some of its recent losses in an otherwise uneventful day in stock index futures, writes Joel Kibazo.

The first trade in the contract was struck at 2,405 which led some dealers to hope for a firm session. But with both independent traders and large institutions choosing to remain on the sidelines, September soon drifted lower.

Sporadic mid-morning buying led to a brief rally, but this petered out after the few orders were filled and the contract returned to its downward direction, reaching the day's low of 2,382 just after lunch.

Bargain hunting together with a good initial performance on Wall Street saw a reversal in the fortunes of the contract which gathered momentum in the last hour of trading, leading to a squeeze and a strong final burst.

September closed at 2,422, up 21 on its previous close, and around 6 points ahead of its fair value premium to cash of about 18. Turnover returned to a modest 7,588.

Dealers reported a dull session in traded options. Turnover totalled 29,118 contracts, of which the FT-SE option accounted for 10,581 lots. BP was the most actively dealt stock option with a day's total of 2,108 lots.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (10).
ELECTRICALS (1) Menvier-Swain, FOOD RETAILING (1) Morrison (Wm), INVESTMENT TRUSTS (2) Brazilian Wts, Malaysia Cap Select, MEDIA (2) Flextech, TVS Entertainment, STORES (1) Etam, MINES (4) Emperor, GM Kalgoorlie, Mount Burgess, Sons Gwalia.
NEW LOWS (191).
CANADIANS (1) California Energy, BANKS (2) Banco de Santander, Deutsche Bk, BREWERS & DISTILLERS (6) [illegible]

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Thursday July 23 1992

[illegible]

FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	15¼xd	−⅜	19⅛	14⅝	12,938	2.1
Allegheny & W	281p	+12	335p	226p	148.8	5.6
Amdahl	987p	—	1159p	793p	1,818	0.8
Amer Cyanamid	38½	—	37	28⅝	2,788	2.8
Amer Express	12⅞xd	−⅛	13⅞	10⅞	5,907	4.2
Amer T & T	22¾xd	−⅛	24⅞	20⅛	30,174	3.0
Ameritech	35⅝	—	38⅞	32½	16,697	5.2
BankAmerica	23½xd	−⅜	27⅛	19⅛	8,868	2.9
Bankers NY	32¼xd	+½	37¼	28⅞	2,672	4.5
Bell Atlantic	25⅛	—	26⅛	23⅛	10,818	5.4
BellSouth	27⅞	—	29⅛	25	13,627	5.2
Bethlehem Steel	7xd	−⅛	9⅝	7	535.8	—
Bowater	1052pxd	—	1679p	1016p	378.3	6.0
CPC b	24⅞xd	−⅛	25¾	22⅝	3,758	2.5
Cadiz Land Inc	178p	—	342p	168p	—	—
California Engy	599p	−42	833p	599p	189.1	—
Campbell Soup	19⅝xd	−¼	23⅞	17⅛	4,926	2.1
Chase Manhattan	13⅝xd	−⅜	18½	9⅛	1,915	4.6
Chrysler	9⅝xd	−⅛	11½	6¼	2,811	3.3
Citicorp	10⅝xd	—	11¼	5⅞	3,727	—
Colgate-Palm	27⅛xd	−⅛	29⅞	25¼	4,318	2.4
Cont'l Bank	933p	—	1036p	499p	942.8	3.4
Dana	21xd	−⅛	24½	14⅞	958.4	4.0
Data General	467p	—	1004p	388p	128.9	—
Decora Inds	104p	—	122p	66p	—	—
Dun & Brad	30⅞	—	33½	27⅝	5,508	3.9
Eaton	39⅞	—	45½	32½	1,377	2.9
Echlin	10xd	−⅛	11	7⅛	558.5	3.7
FPL	19¼xd	−⅛	20	18⅛	3,337	6.6
Fluor	20⅞	—	27	19¼	1,657	1.0
Ford Motor	22⅞	−⅜	26⅛	15	10,893	2.3
Gen Elect	40¼xd	−⅛	46¼	39⅛	34,780	3.1
General Host	452p	+15	555p	360p	—	4.1
Gillette	26⅛xd	−⅜	29⅞	23⅞	5,731	1.4
Hasbro	15	+⅛	16	12⅝	1,292	0.7
[illegible]						

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
St Gobain FFr	£54⅛	−1⅝	£61¾	£41	3,712	4.2	♦
Sharpe & Fisher	62	—	98	62	12.8	8.6	−
Shaw (A)	58	—	99	21	4.38	3.5	6.1
Sheffield Insuls	97	—	111	70	22.5	7.4	36.2
Spring Ram	126	−7	181	122	459.9	0.3	17.6
Starmin	9½	—	15	9½	31.5	4.2	9.4
Tarmac	89	−1	181	67	583.8	10.6	28.5
Titon †	185	—	178	85	17.4	2.8	13.6
Travis Perkins	139	—	228	138	141.2	7.7	26.2
Tudor	35	—	38	31	3.83	1.9	−
Unigroup	13	—	24	8½	3.81	−	−
Ward Group ‡	63#	—	81	62	16.0	‡	2.8
Waterhouse	35	—	43	23	0.66	‡	−
Wickes	75	−2	104	53	217.3	−	−
Wilshaw	14xd	—	18¼	8¼	11.0	3.8	♦
Wolseley	318	—	479	315	751.3	5.1	14.9
Worcester ♦	223	—	223	136	60.0	2.5	21.5

BUSINESS SERVICES

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
MAID S	455	−3	533	343	687.8	−	♦
For ATA Selection see Broadcastle							
Adam & Harvey	214xd	−2	248	198	9.16	6.9	♦
Air London †	81	—	127	81	7.16	5.3	8.6
African Lakes	49	−1	63	49	3.38	6.4	9.7
Auto'ted Sec †	128	+4	152	81	149.3	5.2	10.2
BET g	114½	−3½	205	103	1,869	7.6	16.8
BNB Res	71	—	100	71	17.1	9.2	8.3
BPP	248	—	283	208	82.8	3.7	14.5
Barbour Index	238	—	280	178	38.8	4.2	16.8
Boustead ♦	29½	—	38	20	25.2	3.2	54.1
Brit Data Mangt R	120	−3	165	111	27.9	4.4	10.5
Broadcastle	11	—	14	9	1.75	−	−
[illegible]							

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current mid-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International

● "Tap Stock"

\- Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

‡‡ Tax-free to non-residents on application

♦ Figures or report awaited

♥ Not officially UK listed; dealings permitted under rule 535(4)(a)

✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

†† Not officially UK listed; dealings permitted under Rule 535(2)

Price at time of suspension

¶ Indicated dividend yield after pending scrip and/or rights issue.

♠ Merger bid or reorganisation in progress

§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.

♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend.
xc ex scrip issue.
xr ex rights.
xa ex all.
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	123.9	123.9	131.9	-1.10	0.00
(Accum Units)	5	132.4	132.4	141.0	-1.10	0.00
American Opps	5	49.16	49.16	52.44	-0.45	0.00
(Accum Units)	5	49.84	49.84	53.17	-0.42	0.00
British Blue Chip	5	59.33	59.34	63.30	+0.04	4.21
(Accum Units)	5	67.87	67.88	72.41	+0.05	4.21
Cash *	0	102.0	102.0	102.0	+0.10	9.81
(Accum Units) *	0	123.5	123.5	123.5	----	9.81
European Growth	5	152.1	152.1	161.1	-2.00	0.56
(Accum Units)	5	161.4	161.4	171.0	-2.20	0.56
European Income	5	59.05	59.05xd	62.67	-0.42	3.75
(Accum Units)	5	73.75	73.75xd	78.27	-0.53	3.75
General	5	366.2	366.9	391.4	-1.00	3.10
(Accum Units)	5	678.6	681.9	727.4	-2.10	3.10
Global Bond	5	105.4	105.4	110.7	----	6.67
(Accum Units)	5	112.4	112.4	118.1	----	6.67

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

حلكا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

Allied Dunbar Assurance Plc

Century Life Plc – Contd.

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Provident Mutual Life Assc. Assn. – Contd.

Scottish Amicable

Sun Alliance Group

Windsor Life Assur Co Ltd – Contd.

Royal Life Intl. Ltd – Contd.

Fidelity Money Funds – Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

CANADA (SIB RECOGNISED)

GUERNSEY (REGULATED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• [illegible] Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (REGULATED**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED**)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down on policy unease

THE DOLLAR again drifted lower on the foreign exchanges yesterday as dealers started to think that central banks in the US and Europe might not be ready to intervene again to keep the currency above its all time low, *writes James Blitz*.

Monday's concerted central bank intervention took the dollar up to a high of DM1.5020 the following day. But, since then, its effects have started to wear off and the US currency was yesterday testing a low on the day of DM1.4810.

There is still no clear indication on whether the central banks have a policy on the dollar. Yesterday, Mr Michel Sapin, the French Finance Minister, said that Monday's intervention had been well-timed and highly successful. But dealers may have been affected by a comment from Mr Alan Greenspan, the Fed chairman, at a bi-annual testimonial on Wednesday that the Federal Reserve has no firm target for the dollar's exchange rate. This underlines suggestions made by some analysts that the intervention was prompted by the British, French and Italian central banks rather than the US. "The Europeans had so much more to gain from the move than the US," said one analyst yesterday.

Another indicator suggesting that the US economy is in sluggish shape did not help sentiment, with the latest weekly survey of US jobless claims rising by 19,000. The dollar ended the day half a pfennig down from its previous close at DM1.4830.

Sterling closed firmer against the D-Mark for the first time this week, finishing half a pfennig up at DM2.8375. However sentiment towards the pound was still bearish. The most serious factor weakening the currency yesterday was the Bank of Spain's decision to raise interest rates by 60 basis points to 13.0 per cent. The move puts more pressure on the UK to tighten monetary policy in order to maintain within its permitted limits against the D-Mark in the European Monetary System.

The decision by Mr John Major's government to tighten controls on public spending did not seem a factor in the pound's rise. "It may have helped a little," said one dealer. "But the view in the market is that this government has talked tough on monetary policy before without doing anything, and this may be more of the same."

Nevertheless, sterling's performance was not matched by other currencies. The Italian lira fell back to L758.6 from a previous close in London of L758.2. The French franc was softer against the D-Mark at FFr3.377, compared to a previous close of FFr3.378. Only the Spanish peseta showed strength, finishing at 63.78 compared to a previous close of 64.10.

£ IN NEW YORK

July 23	Latest	Previous Close
£ Spot	1.9140-1.9150	1.9060-1.9070
1 month	1.09-1.08pm	1.10-1.09pm
3 months	3.21-3.19pm	3.30-3.27pm
12 months	11.35-11.2pm	11.40-11.30p

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 23	Previous
8.30 am	91.8	91.9
9.00 am	91.7	91.9
10.00 am	91.9	91.8
11.00 am	92.0	91.9
Noon	91.9	91.9
1.00 pm	91.9	91.9
2.00 pm	91.9	91.9
3.00 pm	91.9	91.9
4.00 pm	92.0	91.8

CURRENCY MOVEMENTS

Jul 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.0	-20.2
U S Dollar	60.5	-18.3
Canadian Dollar	98.9	-1.8
Austrian Schilling	111.0	+12.8
Belgian Franc	112.9	-1.0
Danish Krone	111.3	+5.0
D-Mark	121.0	+26.7
Swiss Franc	110.6	+18.7
Dutch Guilder	116.0	+17.3
French Franc	106.1	-10.8
Lira	99.5	-19.5
Yen	138.2	+74.0
Peseta	108.1	-18.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 22

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.629	-2.86	6.11	46
Spanish Peseta	135.631	130.298	-2.49	5.72	42
Belgian Franc	42.4032	42.0164	-0.91	4.03	31
D-Mark	2.05586	2.03967	-0.79	3.90	33
Dutch Guilder	2.31643	2.30030	-0.70	3.80	21
Irish Punt	0.767417	0.765437	-0.26	3.35	-1
French Franc	6.89509	6.88637	-0.13	3.21	-8
Danish Krone	7.84195	7.85722	0.19	2.88	-21
Italian Lira	1538.24	1546.98	0.57	2.50	-41
Sterling	0.696904	0.718367	3.08	0.00	-61

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKETS

No joy in sterling

THE POUND may have firmed slightly on the foreign exchanges yesterday, but sentiment in the sterling money markets remained decidedly bearish.

In the morning, dealers had been nervously expecting sterling to dip below DM2.83, increasing the chances of another base rate rise to halt the currency's fall. There was relief to see it peak at DM2.8413 in the mid-morning, but one dealer put this down to technical factors. "The forex market was caught short of sterling and there was a technical move to get back into the currency," he said.

The underlying trend is still gloomy, and many believe that a drop down to DM2.82 is on the cards. Yesterday's decision by the Bank of Spain to raise its key interest rate by 60 basis points added to the pressure on the Bank of England to tighten policy. Dealers did not feel that the UK's decision to tighten controls on government spending had much impact. "It's a bit of good housekeeping and little more," said one dealer. "They are not cutting expenditure, just ensuring that they stay within this year's targets."

Period rates therefore ended the day a little firmer. One-month money closed unchanged at 10 1/16 per cent offered. But everything from 3-month money out to 1-year firmed up to 10⅛ from 10 1/16 per cent.

Trading in sterling futures was a little more bullish than in the cash. But this was because futures traders took sterling's rise at face value, without looking at the underlying factors. In the morning the September short sterling contract dipped six basis points down to 89.63 because of currency fears. But as these evaporated for the day, it shot back up to close at 89.72. The December contract dipped at first but closed 4 basis points down on the day at 89.96.

The Bank of England forecast another surprisingly low shortage of £500m in the morning but the market was slow to take it out. The shortages this week have so far amounted to only £2.8bn. At the start of the week, it had looked as though they might amount to £4.5bn, so a tough finish may be in store today.

The Bank did not operate in the morning. In the afternoon it purchased £144m of Band 1 bank bills at 9⅞ per cent and gave late assistance of £70m.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

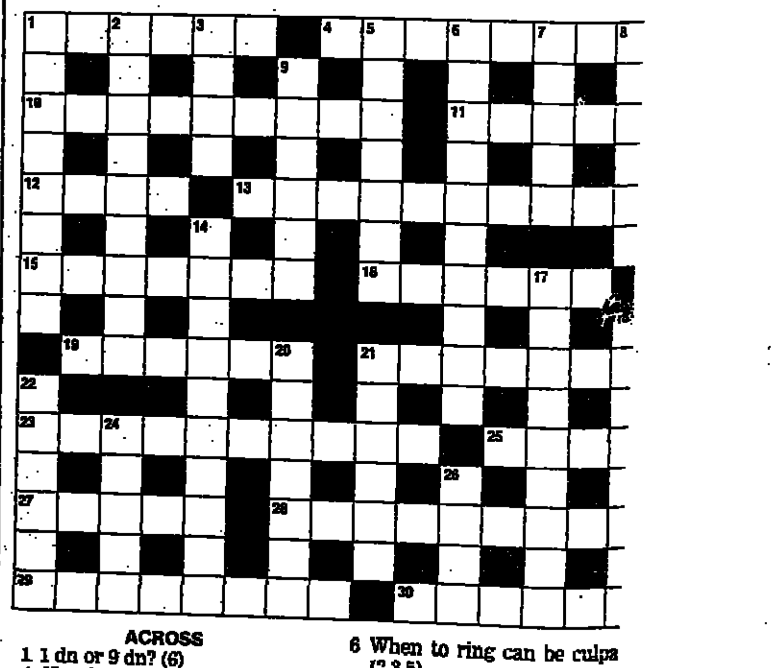
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,907 Set by VIXEN



ACROSS

1 1 dn or 9 dn? (6)
4 Harsh trend – it's quite wrong (8)
10 A far-seeing invention (9)
11 Tail and nail outside right (5)
12 The vibes of gunmen after gold (4)
13 A consortium fighting old fellow in catastrophic conflict (10)
15 About to make certain criticism (7)
16 French writer tears madly around centre of Paris (6)
19 A portion of smoked mackerel is highly regarded as an appetiser (6)
21 The peak is over, and that's a blessing! (7)
23 Putting in some practice before playing in public (10)
25 Similar to 19 (4)
27 Mails mis-sorted, causing a stew (5)
28 The language one used with cold 7 in charge (9)
29 Only the male worker will accept direction still (8)
30 The robber is snapped and gets put inside (6)

DOWN

1 Going in for charm (8)
2 Spreading on treacle allowed variation (9)
3 Simple midshipman (4)
5 They go on foot to measure up (3-4)
6 When to ring can be culpa (2,3,5)
7 A quarter come down for big game (5)
8 Expression of thanks a man finds most appealing
9 The way people eat! (6)
14 Married in desolation brooding (10)
17 Cracks discerned, so set as (9)
18 Charge less for the joint (8
20 The man's wrong to acce coarse material (7)
21 An archer's drinking bout
22 Understands coppers may taken in by an informer (
24 Henry, a university man, create a diversion (5)
26 A large number attendin meeting get the facts (4)

Solution to Puzzle No.7,9

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices July 23

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
300	Abitibi Pr x	$15⅞	15⅞	15⅞	
23500	AgnicoEa	u$6¾	6½	6½	−⅛
10200	Air Cda	$5¼	5	5	
8600	Alberta En	$13	12⅞	13	+⅛
1600	AlbNtGas	$12¼	12¼	12¼	
285100	Alcan Al	$23⅜	23⅛	23¼	−¼
171700	Am Barr	$34½	34¼	34¼	−¼
600	Atco Cl 1	$12	12	12	−⅛
31200	Bk Montrl	$47¼	47⅛	47¼	+⅛
100200	Bk Nova Sc	$22⅝	22⅜	22½	
17300	BC Sugar A	$9½	9⅜	9⅜	−¼
73700	BCE Inc	$46	45⅝	45¾	+⅛
8000	Belmoral	13½	13	13	
2400	BGR A	$7⅞	7¾	7¾	−⅛
175200	Bomb'dierB x	$15⅝	15½	15½	−⅛
200	Bow Valley	$10¾	10⅜	10⅜	
30800	BP Canada	$12¼	12⅛	12¼	+⅛
11300	Bramalea	77	77	77	+8
486200	Brascan A	$17⅜	17¼	17¼	+⅛
15000	Breakwater	47	46	47	
285300	BC Tel	$20½	20	20½	+½
2800	Bruncor	$19¾	19½	19½	−⅛
3700	Brunswick	$10⅜	10⅜	10⅜	
119200	CAE Ind	$6⅜	6¼	6⅜	+⅛
65900	Cambior	$9⅞	9⅝	9⅞	+⅛
2700	Cambridge	$15¾	d15½	15¼	+⅛
1000	Cameco	$16¼	16¼	16¼	−⅛
7400	C'bell Res	55	55	55	−4
140400	CanImpBk	$27	26¾	26⅞	+⅛
46100	Can Occid	$28¼	27¾	28¼	+⅜
126200	Can Pac	$17½	17¼	17⅜	
200	Can Tire	$19½	19½	19½	+½
61000	CanTire A	$18¼	17⅞	18	−⅛
36500	Can Util A	$20⅞	20¾	20⅞	
182500	Can Util B	$20⅞	20¾	20⅞	−⅛
700	Canamax	30	30	32	
2300	Cantor	$28⅜	28⅛	28⅛	−⅛
38700	CnPcForest	$25½	25⅜	25½	
5000	Cara Op	445	440	445	
18000	Cascades	$8¾	8¼	8¼	
700	Celanese	$43	43	43	
20200	Cntrl Cap	19	15	15	
4000	Cineplx Odn	300	295	300	
500	Cntrl Fd A	495	495	495	
28700	Cominco	$23¼	22¾	23	−⅛
4000	Coputalog	43	d43	43	
5800	Coral Sys	$19¾	19½	19¾	+¼
2200	CoscanDev	$5½	5¼	5¼	+¼
1000	CrownX A	110	110	110	
400	Denison A	31	31	31	
1400	Dertan	$5½	5½	5½	
170900	Dofasco	$12⅜	d11¾	12⅛	−¼
3900	Dominn Txt	$8⅝	8½	8½	−⅛
1600	Domtar Inc	$7¼	7⅛	7¼	+⅛
2000	Du Pont A	$43½	43¼	43¼	−¼
369500	DundeeBncA	320	310	310	−5
6300	Echo Bay M	$7⅞	7⅝	7⅞	+⅛
3000	Emco Ltd	$6	6	6	
600	Empire x	$10¼	10¼	10¼	
1600	Euro Nev	$19⅝	19⅛	19⅛	−⅜
200	FPI Ltd	290	290	300	
4200	FahnstkVnr	$8½	8⅜	8⅜	
800	Finning	$13¾	13⅝	13¾	+⅛
27200	Fst Mara A	$10¾	10⅝	10¾	+¼
600	Fortis	$22⅛	22	22	
3700	Four Seasn	$17⅞	17⅞	17⅞	
6000	FrancoNev	$30½	30	30¼	−¼
242200	Galactic	13	12	13	
23100	Gendis A	$17	17	17	
4600	Glamis Gld	415	410	410	−5
12500	Granges	138	137	137	
27100	GW Lifeco	$14⅝	14⅝	14½	
16300	Gulf Cda R	$5½	5⅜	5½	+⅛
4700	GW Utils	$6	6	6	
2400	HarrisSt A	$6½	6½	6½	
100	Hawker Sid	$24¼	24¼	24¼	
14300	Hees Intl	$11⅞	11¾	11⅞	+⅛
55000	Hemlo Gold	$10¼	10	10¼	−⅛
138500	Hollinger	$10½	10⅜	10½	+⅛
1300	Home Oil	$15⅝	15½	15⅝	+⅛
1500	Horsham	$9¾	9⅝	9⅝	
500	HudsBayM&S	$5⅞	5⅞	5⅞	+½
600	HudsonsBay	$26⅞	26⅞	26⅞	+⅛
4900	Imasco	$36⅜	36⅛	36⅜	
57400	Imp Oil	$44¾	44⅜	44½	−⅛
61800	Inco	$37	36¾	36⅞	−⅛
14800	Int Corona	$5⅞	5¾	5⅞	−⅛
400	IntMurexT	$17⅞	17⅞	17⅞	+⅜
7700	IntprvPipe	$25	24⅞	24⅞	
1900	Invest Grp	$24	23⅞	23⅞	−⅛
1000	Ivaco A	435	435	435	+5
2100	Jannock	$15¼	15¼	15¼	
700	KerrAddis	$14½	d14½	14¾	
63600	Labatt	$27½	27¼	27¼	−¼
333900	Lac Minls	$9⅝	9⅛	9⅛	−¼
100	Lafarge	$17½	17½	17⅝	
8200	Laidlaw A	$11⅝	11¼	11⅝	+⅛
155200	Laidlaw B	$11⅝	11⅜	11½	
300	Laurent Bk	$17¾	17¾	17¾	
10000	Laurent Gp	$5⅝	5⅝	5⅝	
800	Lawson Mar	$9¾	9⅝	9¾	
2500	Loblaw	$16⅞	16¾	16¾	−⅛
71200	Mackenzie	$5⅞	5¾	5⅞	
49600	Macm Bl	$17¾	17½	17½	−⅛
26700	Magna IntA	$29¼	28¾	28⅞	+⅛
15600	Mpl Lf Fds	$15½	15⅜	15⅜	+⅛
5100	Marit T&T	$19⅜	19⅜	19⅜	−⅛
20800	Mark Res	490	490	490	+15
1800	MDS Hth B	$14⅞	14¾	14¾	−⅛
500	Metall Min	$13¼	13¼	13¼	
3200	Minnova	$16¼	16¼	16¼	
36200	Mitel Corp	189	184	187	
3200	Molson A	$31⅞	31¼	31¼	−⅝
44300	Moore Corp	$22⅛	21⅞	21⅞	−⅛
10000	Muscocho	7	6½	6½	
228100	Nat Bk Can	$9⅛	9	9	−⅛
43200	Noma Ind A	$6½	6⅜	6⅝	
1200	NorandaFor	$8	7⅞	7⅞	+⅛
776200	Noranda	$19¾	19⅜	19⅜	−1
100	Norcn8.12	$25	25	25	
8400	NorcenVtg	$20¾	20¾	20¾	−⅛
162800	Nth Tele	$41⅜	41⅛	41⅜	+¼
200	Northgate	86	86	86	
143300	Nova Corp	$8⅝	8⅜	8½	
600	Nowsco Wst	$9	9	8¾	
2000	Numac Oil	500	500	500	
329300	Onex Corp	$8⅜	8¼	8¼	−¼
5700	Oshawa A	$20¾	20½	20½	
18700	PWA Corp	$5⅜	5⅛	5⅛	−⅛
42900	Pagurian A	340	330	335	
2200	Pancdn Pet	$24⅞	24½	24⅝	
49400	Pegasus	$19¼	18⅞	19⅛	
3300	Pioneer Mt	20	20	20	
95400	PlacerDome	$13¼	13½	13½	−¼
153800	Poco Pet	435	430	435	+5
81200	Power Corp	u$15½	15¼	15⅜	
500	Power Fin	u$21	20⅞	20⅞	−⅛
2000	Quebecor A	u$14⅝	14⅝	14½	
3500	Ranger Oil	$8¾	8⅝	8¾	+⅛
112000	Rayrock	$8½	8½	8½	
300	Reed Sten	$27⅜	27⅜	27⅜	
300	Reitman S x	$18	d18	18	
22200	Ren'ssance	$15⅜	15¼	15¼	
438700	Repap Ent	295	d285	290	−5
4700	Rio Algom	$17⅛	17	17⅛	+⅛
58600	RogersComB	$14	13¾	13⅞	
3200	Rothmans	$87½	87	87½	
39700	RoyalBkCan x	$25¼	25	25⅛	
312200	Ryl Oak Mn	u262	247	248	+3
158100	RylTrustco	$5¾	5½	5¾	
2300	StLawCm A x	$9½	9½	9½	
25600	Sceptre Rs	40	38	38	
4600	ScotPaper	$15½	15½	15½	+¼
1200	Scotts Hos	$14½	14¼	14¼	+⅛
122300	Seagram Co	$34½	34	34¼	+¼
5600	Sears Can	$7⅞	7¾	7¾	−⅛
400	ShellCan A	$40⅞	40⅞	40⅞	+⅛
11400	Sherritt G	$8¾	8⅝	8⅝	−⅛
32900	SHL Syst	$8⅞	8¼	8⅜	−½
100	SNC Group	$11	11	11	
4000	Sonora Gld	20	17½	20	
50200	Southam	$16¼	16	16¼	+½
36800	Spar Aero	$15¼	15⅝	15⅝	
12800	Stelco A	380	375	380	
42500	Teck B	$21⅞	21⅛	21⅞	−⅛
7400	Teleglobe	$12⅞	12⅞	12⅞	
58500	Thomson	$14⅝	d14⅜	14½	−⅛
111300	Tor Dom Bk	$18⅜	18⅛	18¼	
982200	Torstar B	$20⅞	20¾	20¾	−1¼
3000	TotalPNAm	$8⅜	8⅜	8⅜	+⅛
317200	TransAlta	u$14	13⅞	13⅞	−⅛
299900	Transcan P	$18	17¾	17⅞	
401600	Trimac	$7½	d7¼	7¾	
48000	Trizec A x	455	445	445	
14800	UAP A	u$17¾	17⅝	17¾	
1600	UnionEnt	$15	15	15	
200	UnitedCorp	$28	27⅞	28	+¼
3300	UtdDomInd	$11⅛	11	11	
10700	Univa	$7⅛	d6⅞	6⅞	−¼
48000	Viceroy Rs	495	490	495	+10
33900	W'coast E	$16¼	16⅝	16⅝	−⅛
24500	Weston Geo	$37¾	37¼	37¼	
1000	WIC B	$14⅛	14⅛	14⅛	

‡ - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices July 23

Sales	Stock	High	Low	Close	Chng
15200	BombardierB x	$15⅝	15½	15½	
19100	Cambior	$9⅞	9¾	9⅞	+⅛
48900	CanImp Bk	$27	26¾	26⅞	
500	CanMarconi	$16⅜	16⅜	16⅜	
13500	Cascades	$8¼	8⅛	8¼	−⅛
500	DominTxt A	$6⅞	6⅞	6⅞	
100	MacleanHnt	$11⅞	11⅞	11⅞	
201100	NatBk Can	$9⅛	8⅞	9	
9300	Quebecor A	u$14⅝	14⅝	14⅝	+⅛
3600	Teleglobe	$12¾	12¾	12¾	
7400	Univa	$7⅛	d7	7	
2200	Videotron	$17⅝	17⅜	17⅜	−⅛

Total Sales 13,959,100 shares

INDICES

NEW YORK

DOW JONES	Jul 22	Jul 21	Jul 20	Jul 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3277.61	3308.41	3303.00	3331.64	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.35	101.44	101.39	101.17	101.44 (21/7)	98.41 (20/3)	101.44 (21/7/92)	54.99 (1/10/81)
Transport	1270.89	1291.77	1284.87	1302.88	1467.68 (20/2)	1270.89 (22/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.14	218.20	218.89	220.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3308.68 (3335.96) Low 3262.75 (3292.47)

STANDARD AND POOR'S	Jul 22	Jul 21	Jul 20	Jul 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.93	413.76	413.75	415.62	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	481.91	485.61	485.26	488.27	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.92	36.07	36.07	35.80	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	226.13	227.47	227.51	228.51	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	383.17	384.82	384.52	386.55	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	563.88	568.63	564.28	570.52	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 17	Jul 10	Jun 26	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.13	3.14	3.04

	Jul 15	Jul 8	Jul 1	year ago (approx.)
S & P Industrial div. yield	2.64	2.68	2.66	2.96
S & P Indl. P/E ratio	28.95	28.45	28.74	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Computer Assoc	3,847,500	13¼	+ 2¼
Compaq Computr	3,740,100	27⅝	+ 3
Chase Manhttn	3,413,600	25⅞	- ½
Syntex	2,547,800	31⅝	- 1
Gen Motors	2,540,700	38¾	- 1¼
GTech Hldgs	2,455,200	18	----
Symbl Tech	2,400,300	14½	- 3½
Ford Motor	2,174,400	42¾	- 1¼
Upjohn	2,105,600	34¼	+ 1⅞
Chemical Bkg Cp	1,972,400	34⅞	- 1¼

TRADING ACTIVITY

† Volume Millions	Jul 22	Jul 21	Jul 20
New York SE	191.421	173.800	165.730
Amex	10.451	15.784	9.800
NASDAQ	168.350	155.318	117.834
NYSE			
Issues Traded	2,296	2,297	2,295
Rises	644	885	603
Falls	1,059	848	1,123
Unchanged	593	564	569
New Highs	44	57	45
New Lows	30	31	29

CANADA

TORONTO	Jul 22	Jul 21	Jul 20	Jul 17	1992 HIGH	1992 LOW
Metals & Minerals	3126.11	3140.34	3159.61	3179.63	3238.87 (16/1)	2828.26 (8/4)
Composite	3412.10	3425.21	3452.60	3463.00	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1799.75	1803.04	1826.50	1838.72	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 23	Jul 22	Jul 21	Jul 20	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1610.7	1607.2	1609.2	1604.9	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	715.5	713.4	718.7	716.1	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	334.36	337.89	342.01	339.14	458.57 (24/2)	334.36 (23/7)
Traded Index (2/1/91)	794.36	803.19	811.95	800.59	1099.43 (24/2)	794.36 (23/7)
BELGIUM						
BEL20 (1/1/91)	1139.89	1145.35	(c)	(c)	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	309.13	308.92	309.17	310.12	365.29 (15/1)	308.92 (22/7)
FINLAND						
HEX General (28/12/90)	706.1	714.8	714.3	712.9	935.90 (24/2)	706.10 (23/7)
FRANCE						
CAC General (31/12/82)	476.98	481.52	484.79	486.61	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1734.56	727.49	1762.67	1767.90	2077.49 (11/5)	727.49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	648.76	649.04	656.32	666.46	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1833.40	1834.60	1854.50	1884.3	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1623.37	1628.22	1659.77	1649.67	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	5917.16	(c)	6010.44	5986.49	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1276.36	1279.63	1278.44	1277.97	1469.57 (17/1)	1267.03 (9/7)
ITALY						
Banca Com. Ital. (1972)	408.07	409.76	411.71	412.67	551.59 (6/2)	408.07 (23/7)
MIB General (2/1/92)	800.0	803.6	807.0	809.0	1086.00 (5/2)	800.00 (23/7)
JAPAN						
Nikkei (16/5/49)	16039.94	15541.95	16002.41	15884.48	23801.18 (6/1)	15541.95 (22/7)
Tokyo SE (Topix) (4/1/68)	1227.82	1205.75	1229.38	1230.14	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1782.92	1795.70	1822.23	1840.30	2459.85 (6/1)	1782.92 (23/7)
MALAYSIA						
KLSE Composite (4/4/86)	602.24	608.79	605.16	602.76	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	289.1	289.6	292.1	290.8	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	197.6	197.6	199.6	198.7	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	654.86	649.20	657.56	643.24	772.74 (18/5)	643.24 (20/7)
PHILIPPINES						
Manila Comp (2/1/85)	1470.76	1453.79	1433.04	1453.00	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	387.52	391.01	389.56	392.08	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1139.0§	1111.0	1121.0	1149.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4160.0§	4156.0	4213.0	4214.0	4689.00 (4/6)	4156.00 (22/7)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	518.53	526.00	511.84	505.30	691.48 (8/2)	505.30 (20/7)
SPAIN						
Madrid SE (30/12/85)	214.03	216.10	220.56	217.87	266.51 (28/2)	214.03 (23/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	839.40	851.5	860.50	849.8	1014.50 (11/5)	839.40 (23/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	801.6	799.7	811.4	798.6	883.40 (31/5)	748.50 (8/1)
SBC General (1/4/87)	608.8	607.1	616.0	607.8	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3978.87	4154.80	4159.02	4147.59	5391.63 (30/1)	3978.87 (23/7)
THAILAND						
Bangkok SET (30/4/75)	753.92	757.96	754.25	758.92	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	487.5p	485.9	491.0	496.5	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	845.15	845.70	859.32	854.76	976.55 (25/5)	845.15 (23/7)

**Saturday July 18: Taiwan Weighted Price: 4248.55, Korea Comp Ex. 505.64.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 23 July 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk	5.6m	992	+37
Nippon Jutaki	4.0m	185	-45
Toshiba Corp	3.2m	620	+23
Hitachi	2.3m	750	+23
NPN Steel	2.3m	275	+11
Mitsui Min	2.3m	375	+13
Taiyo Fishery	2.2m	460	+26
Toray Inds	2.1m	618	-4
Okamoto Inds	2.0m	1,210	+40
North BA	2.0m	476	

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices July 23

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.8	20	157	12⅝	12½	12⅝	-¼
26	18⅛	A L Labs A	0.18	1.0	73	390	18½	d18⅛	18⅛	-¼
68¾	52⅝	AMP Inc	1.92	2.9	21	1673	53⅝	52¾	52¾	-½
80¾	60⅞	AMR			22	4177	63⅛	62¼	62⅛	-⅞
2⅛	1⅛	ARX			2	z100	1⅛	1⅛	1⅛	
53½	38¼	ASA	2.00	4.9	27	103	41⅞	41⅛	41⅞	-⅛
34¼	26⅛	Abbott Lab x	0.60	2.1	21	3936	29⅛	29	29⅛	+⅛
13⅞	12	Abitibi Pr x	0.50	3.9	9	2	12⅞	12¾	12¾	
11⅝	10⅛	ACM Gvt In	1.11	9.9		123	11¼	11⅛	11⅛	
10⅞	9⅛	ACM GvOpp	0.94	9.8		126	9⅝	9⅝	9⅝	-⅛
9½	8½	ACM Gvt Sp	0.92	9.9		160	9⅜	9¼	9¼	-⅛
11⅛	10⅛	ACM Gvt Se	1.13	10.3		540	11	10⅞	11	+⅛
10	8⅝	ACM Man	0.98	10.2		381	9⅝	9⅝	9⅝	-⅛
12⅞	10⅝	ACM Managd	1.21	10.9		165	11¼	11⅛	11⅛	-⅛
11¾	4¼	Acme Cleve	0.40	5.8	13	297	6⅞	6⅝	6⅞	+¼
6¼	4⅛	Acme Elect			4	17	4⅝	4⅝	4⅝	-¼
33¼	16⅛	Acuson			11	431	19⅛	18¾	18¾	-⅛
18½	18⅛	Adams Expr	1.63	8.8	0	21	18⅝	18½	18⅝	+⅛
49⅛	29½	Ad Micro	3.00	8.8		92	34⅛	33⅞	34	
21½	7½	Ad Micro P	3.00	34.8	31	119	8⅞	8⅝	8⅝	
9⅛	5	Advest Grp	0.16	2.8	80	104	5⅝	5½	5⅝	+⅛
37¼	33	Aegon ADR	1.66	4.7	6	16	36⅛	36	36⅛	+⅛
47	38⅞	Aetna Ll	2.76	6.4	81	660	43⅞	42⅞	43¼	+⅛
12⅛	8⅞	AMI A	0.24	2.1	13	932	12	11¼	11¼	-⅝

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅞	40¼	Scecorp	2.80	6.2	13	514	45⅝	45⅜	45½	+⅛
68	49⅞	ScheringPl	1.68	2.8	17	1358	57¼	56¼	56½	-½
68⅞	52¼	Sch'berger	1.20	2.0	17	2627	61⅞	60⅞	61⅛	-1
37¼	20⅝	Schwab(C)	0.24	1.1	11	484	23	22½	22⅝	-⅞
10⅞	6¾	Schwitzer			36	11	6⅞	6⅞	6⅞	-⅛
25⅛	15¼	ScientAtln	0.16	0.6	165	477	25⅛	24½	24⅞	+⅛
10⅞	7⅛	Scotman	0.10	1.2	56	7	8½	8⅜	8⅜	
48	34½	ScottPaper	0.80	2.1	52	599	39¼	38⅝	38⅝	-½
17½	13⅝	ScuddrNAsF	0.22	1.4		64	15½	15¼	15½	
9½	8⅜	ScuddrNEuF	0.30	3.3		145	9⅛	9	9	-¼
24	16	Sea Cont	0.70	3.2	10	61	21⅝	21⅝	21⅝	
15¾	14⅞	SeaC1.4625	1.46	9.4		2	15¼	15¼	15½	+¼
31	26⅞	Seagram Co	0.14	0.5	18	547	28⅞	28⅜	28¾	
28½	21⅝	Seagull En			565	213	27⅞	27¾	27⅞	+⅛
56⅞	43¾	Sealed Air			27	129	51	49¾	50⅞	+1¼
23	12⅛	SPX Corp.	0.40	1.8	29	308	22¼	21¾	21¾	-1
48	37	Sears Roeb	2.00	5.2	10	2882	38⅝	38½	38⅝	-⅛
12⅞	11⅞	Seligm Sel x	0.84	6.7		207	12⅝	12½	12½	
31⅛	24	Sensormat	0.30	1.2	22	2046	24½	24¼	24⅜	-⅛
51	36¼	Sequa A	0.60	1.5	46	69	40¾	39	39½	-1½
58	45½	Sequa B	0.60	1.0	26	31	50	49½	49¾	

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	24⅞	Xtra 1.94	1.94	7.0		55	28⅛	27⅞	27⅞	-⅜
37	28½	Xtra Corp	0.80	2.3	13	14	35½	35⅛	35½	
28⅛	25¼	Yankee Egy	1.68	6.0	12	26	u28⅛	27⅞	27⅞	
1½	½	Zapata			50	638	1⅛	1	1	
11⅛	6¾	ZenithElec			5	257	7⅞	7¾	7¾	-⅛
19½	14½	Zenith Nat	1.00	5.7	8	13	17½	17½	17½	
7⅛	6	Zenix Inc x	0.84	12.9		118	u7⅛	7	7	
13¾	10	Zero Corp	0.40	3.4	18	277	12	11⅝	11⅝	-¼
38	27¾	Zurn Ind	0.88	3.1	31	461	28¾	28½	28⅝	+⅛
14⅛	12	Zweig Fund	1.15	9.0		113	12¾	12⅝	12¾	
11	9½	Zweig Totl	0.96	9.3		596	10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 23

NASDAQ NATIONAL MARKET

3:00 pm prices July 23

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WPP Group	1.11	1	1162	1⅝	1½	1½	-⅛
Wyman-Gon	0.40	0	253	4⅛	3⅞	3⅞	-⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		22	1530	20¾	20¼	20¼	-¼
Xoma Corp		8	676	13½	13¼	13½	+¼
Yellow Fr	0.94	20	364	24¾	24⅜	24⅝	+⅛
York Rsch		4	588	4¾	4⅜	4½	
ZionsUtah	1.44	10	15	56¼	54½	55	+½

AMERICA

Rise in jobless claims offsets overseas gains

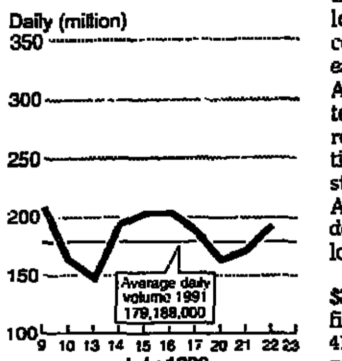
Wall Street

US share prices were little changed at midsession as rise in unemployment insurance claims and concerns about the *political outlook counteracted* a recovery in Tokyo and a large fall in long-term bond yields at home, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was up just 0.54 at 3,278.15. The more broadly based Standard & Poor's 500 was also virtually unmoved at the halfway mark, down 0.19 at 410.74, while the Amex composite fell 0.61 to 382.56 and the Nasdaq composite added 0.92 at 564.80. Turnover on the NYSE was 101m shares by 1pm.

The announcement from the *Labor department of a* 19,000 rise in state unemployment insurance claims during the week ending July 11 was an early blow to sentiment as the market had been anticipating only a small rise in claims. Rumours that the vice-president Mr Dan Quayle may be replaced to boost President George Bush's re-election chances heightened political uncertainties and added to the market's gloom. However, a fall in long-term bond yields provided some support for stocks.

NYSE volume



Earnings continued to dominate among individual stocks. Salomon climbed more than $1 early on, but eased back to stand $⅝ higher at $36¼ after the securities group reported strong second quarter profits, in spite of a $185m charge taken to cover some of the costs relating to the settlement of last year's bond trading scandal and any subsequent lawsuits.

Delta fell $1¼ to $52¼ after the airline reported a $180.2m loss in the second quarter, compared to the modest profit *earned in the year-ago period.* Airline earnings this past quarter have been hit hard by the recent price war among domestic carriers. Other big airline stocks were also lower, with AMR, parent of American, down $⅝ *at $62⅝, and UAL $1* lower at $111½.

Walt Disney eased $½ to $35¼ in spite of a solid rise in fiscal third quarter earnings to 41 cents a share. The company warned, however, that its *recently opened Euro Disney* unit in France would post a loss for this year.

On the Nasdaq market, Au Bon Pain fell $1¼ to $14¼ after Morgan Stanley dropped the franchise bakery and café group's stock from its emerging growth focus list.

Canada

TORONTO remained flat at midday, the TSE 300 index gaining 0.6 to 3,412.7. Declines led advances by 212 to 172. Volume rose to 23.9m worth C$344.9m, bloated by an agency cross of 9.6m *Torstar B shares.*

Analysts despair as Milan falls further

The recent collapse in share prices threatens their existence, writes **Haig Simonian**

The Italian equity analyst, one of the more exotic species prowling in the world's financial jungle, is threatened with extinction following the recent collapse in share prices on the Milan stock exchange.

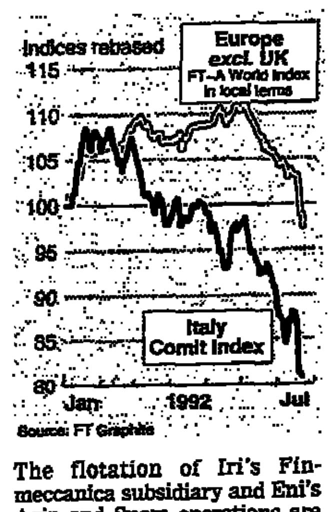
Observers had already spotted the danger signs late last year as trading volumes dwindled in spite of the implementation of long-awaited market reforms. However, the predicament of the well-groomed, Bocconi-educated *analysts* has become acute following the killing of a leading anti-Mafia judge last weekend and the government's inept handling of the liquidation of Efim, one of the country's three state holding *companies.*

Both events severely dented Italy's fragile international credibility and prompted long-suffering domestic and foreign investors to dump what was left of their Italian equity holdings. The reasoning behind their decision is compelling, and not even the most bullish broker can find something positive to say about the Milan stock market. Indeed, most analysts believe that the outlook will get worse before it improves.

Political uncertainty hangs over the bourse in spite of the determination of the new government, led by Mr Giuliano Amato, to tackle structural ills, such as the public sector deficit, *and its decision to speed up* the privatisation of state companies. But, with around 500 parliamentary amendments to its mini-budget plan alone ahead of this week's parliamentary debates, the coalition, based on a *slim majority, has* yet to prove that it can deliver.

While many of Mr Amato's ideas are laudable, dealers fear that putting them into practice could expose his government's Achilles heel. That would be *particularly damaging in the* case of privatisation. Mr Amato's concept of forming two "super-holdings" under the Treasury to take charge of many public sector assets had been criticised as woolly and bureaucratic, which explains the revision yesterday in favour of a simpler structure.

Uncertainty about the fate of *the Iri and Eni holding* companies could cast a shadow over existing privatisation plans.



The flotation of Iri's Finmeccanica subsidiary and Eni's Agip and Snam operations are *still on course* but their success could well be soured by investors' hostility towards Italian equities.

The impact of the *Bank of* Italy's decision to raise the discount rate twice this month, to 13.75 per cent, was immediately felt on equities. Meanwhile, rates for securities repurchase agreements *reached a record 17.56 per cent* on Wednesday, against 16.02 per cent at Friday's previous tender. With the Bundesbank showing no sign of relaxing its monetary rigour, *Italian* rates look set to rise further.

Intervention by the central bank and rate rises have relaxed the pressure on the lira and rumours of an imminent lira devaluation have eased. However, the chances remain of a depreciation from a position of greater stability, perhaps once *the 1993 budget* has been passed by end-September, limiting the appeal of equities to non-lira investors.

The prospects for corporate profits are poor. The recent collapse of share prices could be seen *as an opportunity to pick* up bargains, but the general outlook for earnings in 1992 and 1993 is bleak.

Mr Roberto Condulmari of Gemina-Credit Lyonnais Sim predicts an average 8 per cent *fall in quoted companies'* net profits this year. That could be a conservative estimate if the government stamps on consumer demand in its attempt to cut the deficit. So the flickering signs of economic recovery may die out. Virtually the only good piece of economic news came yesterday with the report that inflation remained steady last month at *5.5 per cent.*

Corporate profits will also be eroded by rising interest rates. The higher cost of credit has weighed on the corporate sector, and penalised highly geared groups, Ferruzzi-Montedison *in particular.*

Banking and construction shares have also been savaged. Concerns about credit quality have been heightened by the likely economic slowdown, while problems in the bond market could lead to write-downs and lower securities trading profits for the banks. The *construction and cement* sectors are in the doldrums in view of the likely slump in orders from a public sector chastened by recent corruption scandals.

Meanwhile, Italian equity analysts in Milan and London are desperately trying to justify their existence. "We are developing a series of worst-case scenarios to examine the possible effects of a variety of government decisions, like tariff freezes, on company profits," says one. "Are you free for lunch?"

ASIA PACIFIC

Hopes of government help lift Nikkei above 16,000

Tokyo

SHARE prices rebounded on news that the government would meet to discuss the *stock market slump,* and the Nikkei average, which had dropped to a six-year low on Wednesday, moved back above the 16,000 level, *writes Emiko Terazono in Tokyo.*

The 225-issue average jumped *497.99 to 16,039.94.* The weakness on overseas markets prompted arbitrage selling in the morning, pulling the index down to the day's low of 15,333.00. An announcement by Mr Kiichi Miyazawa, the prime minister, that the government will hold an emergency meeting today to discuss support measures for the market triggered buying in the futures markets, and the Nikkei advanced to the session's high of 16,084.30.

In spite of the sharp rally in prices, volume dipped from 272m shares to 250m. Rises led declines by 614 to 339, with 150 issues unchanged. The Topix index of all first section stocks gained 22.07 to 1,227.82, and in London the ISE/Nikkei 50 index edged up 0.42 to 965.80.

The futures index surged as investors rushed to cover short positions, prompting arbitrage buying and bargain hunting in the cash market. Most participants were encouraged by Mr Miyazawa's announcement.

However, some investors were sceptical about the outcome. "There was some relief in the market, but if there is *nothing new decided at the* emergency meeting, the market may go down," said a fund manager at Dai-Ichi Life.

Analysts said measures to boost the economy were needed to lift sentiment. "It is *not up to the cabinet to decide* on monetary policy, so the effects of the meeting on the market are questionable," said Mr Yuichi Kohashi, strategist at Daiwa Securities.

Stocks heavily depressed on Wednesday recouped losses. High-technology issues, which were lower on earnings worries, advanced. NEC put on Y19 to Y804 and Fujitsu Y11 to Y580.

Dealers once again sought speculative theme stocks for short-term trading purposes. Meiji Milk Products, the day's most active issue, climbed Y37 to Y932 and Taiyo Fishery gained Y25 to Y460.

Banks were also firmer, with Industrial Bank of Japan appreciating Y10 to Y1,640 and Sakura Bank Y33 to Y949.

In Osaka, the OSE average recovered 248.41 to 16,190.94, rising for the first time in six days. Volume remained flat at 23m shares.

Roundup

THE STEEPEST fall among the region's markets yesterday was registered by Taiwan, which ended at its lowest level since January last year.

TAIWAN's weighted index lost 175.93, or 4.2 per cent, at 3,978.87, but after an intraday low of 3,954. Turnover expanded to T$30.35bn from Wednesday's T$18.57bn.

Some analysts said the setback reflected the slowdown in economic growth and lack of confidence for company earnings in the second half of the year.

HONG KONG declined by 1.5 per cent amid uncertainties over a dispute between China *and Britain regarding the* financing of a new airport. The Hang Seng index shed 93.28 to 5,917.16. Turnover increased to HK$3.50bn from Tuesday's HK$3.13bn. The market was closed on Wednesday because *of a typhoon.*

Banks generally lost ground, with HSBC finishing 50 cents down at HK$54 and Bank of East Asia HK$1 off at HK$37.

SINGAPORE was broadly lower, with shipyard issues falling in late trading. The Straits Times Industrial index slipped 12.25 to 1,424.65 in volume of 47.13m shares, against 45.83m. Declines outpaced gains by 153 to 53.

SEOUL retreated after a two-day advance. The composite stock index closed 7.47 off at 518.53 in turnover of Won170.5bn, after Won162.9b.

Sunkyong and Yukong, which are among companies bidding for South Korea's second mobile telecommunications contract, moved ahead by Won800 and Won1,000 respectively to Won20,400 and Won24,900.

MANILA staged a further improvement, helped by *gains* in the oil sector. The composite index ended 16.97 higher at 1,470.76. Oil issues showed rises ranging from 6 per cent to 13 per cent, while the oil index advanced by 10 per cent. Combined turnover *contracted to* 275m pesos from 313.7m pesos.

KUALA LUMPUR declined on profit-taking. The composite index lost 6.55 to 602.24 in turnover down to M$121.8m from M$166.1m. Falls overwhelmed rises by 227 to 50.

AUSTRALIA recovered from a poor start to close modestly higher on balance after trading dominated by the debut of GIO, the former New South Wales government insurer. The All Ordinaries index ended 3.5 ahead at 1,610.7.

GIO accounted for 15 per cent of the day's turnover of *A$239.5m. It opened at A$2.68,* a 28-cent premium to the issue price, but fell to close at A$2.53 after volume of 17.8m shares.

NEW ZEALAND's NZSE-40 index slid 16.31 to 1,552.20 as a result of weakness on Wall *Street. BOMBAY fell sharply,* the BSE index finishing 139.78, or 4.96 per cent, weaker at 2,678.34.

EUROPE

Bourses mostly lower as Spain raises rates

BOURSES were mostly lower yesterday, as Spain raised its interest rates, *writes Our Markets Staff.*

MADRID reacted calmly to the 0.6 point rise in the benchmark money market rate to 13 per cent, although the rise exceeded some analysts' forecasts. The general index closed down 2.07 at 214.03 and turnover was estimated to be low.

Santander's 17.4 per cent increase in first half figures pleased investors although its shares lost Pta40 to Pta3,795, in line with the market. Among construction stocks, *FCC* lost another Pta310, or 4.5 per cent to Pta5,990, while Telefónica gained Pta5 to Pta1,040 on US buying.

FRANKFURT slid into negative territory late in the session. Having seen a day's high of 1,647.48 the DAX ended 4.85 lower at 1,623.76, while at midsession the FAZ was 0.28 weaker at 648.76. Turnover fell to DM6.1bn from DM6.3bn.

Disappointing first half retail sales data contributed to pessimism with the publication of a 2 per cent fall in western Germany.

Early gains made by blue chips were lost by the close. Siemens, which rose as high as DM632, closed 20 pfg lower at DM623.10 and Daimler finished down DM2.50 at DM703 after an intraday high of DM713.80. Chemical stocks were vulnerable, with BASF down DM4.20 at DM216.50 and Hoechst DM3.60 lower at DM229.40. One of the day's major losers was Linde which shed DM20 or 2.6 per cent to DM753.

PARIS endured another day of volatile trading to finally end higher after after falling for seven consecutive trading days. The CAC 40 index rose 7.07 to 1,734.56 in turnover estimated at FFr2.5bn.

News that Euro Disney expects to make a net loss in its fiscal year ending September 30 was greeted with a rise of 15 centimes in the stock to *FFr97.4. The stock had fallen* earlier in the week in anticipation of the announcement.

The cement maker Lafarge Coppée gained FFr6.10 to FFr305 on the back of pleasing second quarter results from its US subsidiary. Another gainer was Havas up FFr14.60 or 3.3 per cent to FFr455.50 in reasonable volume.

Among the losers were BSN down a further FFr14 to FFr1,045 and L'Oréal down *FFr6 to FFr903.* Higher interest rates in Spain unsettled Carrefour, the retailer with Iberian interests, which fell *FFr7* to FFr2,517.

MILAN fell further as strong selling overwhelmed attempts to trigger a technical recovery. The Comit *index* fell 1.69 to 408.07 in turnover estimated at near Wednesday's L113.4bn.

Fiat fell L12 to L4,530 and Generali dropped L250 to L36,150.

OSLO recovered but there were few fresh factors to stimulate trading. The all-share index rose 2.61 to 376.50 in low *turnover of NKr141.5m.*

Norsk Hydro, due to publish its first half results on Monday, added NKr2 to NKr147.

BRUSSELS fell in low turnover of BFr721m on the first day of the new forward *accounting period. The Bel-20* index lost 5.46 to 1,139.89.

Petrofina rose BFr25 to BFr10,775 with 8,840 shares traded while BBL advanced BFr20 to BFr3,480.

VIENNA fell to its lowest-ever close as the *18-share* ATX index lost 17.59 or 2.1 per cent to 794.36. News of a 15.7 per cent decline in first half operating profits at the building materials group Wienerberger led the market lower. Wienerberger's shares fell Sch200 to Sch4,100.

STOCKHOLM saw its lowest closing level since January *1991 following* an increase in short-term interest rates. The Affärsvärlden index fell 12.1 to 839.4 in turnover of SKr388m from SKr292m.

Among actives Astra B shares slipped SKr2 to SKr530 *and Volvo B declined SKr4 to* SKr338.

AMSTERDAM's CBS Tendency index closed down 0.3 at 116.2. Among active stocks Akzo lost Fl 2.20 to Fl 138 while Elsevier bucked the trend *gaining Fl 1.10 to Fl 106.40.*

FT-SE Eurotrack 100 - Jul 23

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1066.15	1065.68	1063.80	1061.36	1056.65	1056.58	1060.13	1059.53

Day's High 1066.73 Day's Low 1054.94

Jul 22	Jul 21	Jul 20	Jul 17	Jul 16
1060.97	1075.64	1064.04	1097.57	1120.48

Base value 1000 (26/10/90).

SOUTH AFRICA

KEEN buying lifted gold shares by 2.9 per cent but bullion's failure to hold above $360 took the shares off the *day's highs. The gold index* closed 28 up at 1,139. The overall index rose 19 to 3,404, and industrials added 4 to 4,160.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 22 1992								TUESDAY JULY 21 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	142.20	+0.2	110.76	114.02	110.05	126.46	−0.1	4.31	141.95	110.24	112.39	109.85	126.56	153.68	140.94	148.05
Austria (19)	155.48	−0.5	121.10	124.68	120.33	120.52	−0.6	2.42	156.31	121.39	123.76	120.96	121.27	186.70	155.48	178.89
Belgium (42)	147.42	−0.8	114.82	118.20	114.08	111.43	−1.6	5.52	148.58	115.39	117.62	114.98	113.22	152.27	135.87	129.59
Canada (115)	127.46	−0.1	99.27	102.19	98.63	109.88	−0.3	3.23	127.62	99.11	101.04	98.76	110.20	142.12	124.32	139.35
Denmark (35)	237.60	+0.0	185.06	190.52	183.87	185.17	+0.0	1.90	237.59	184.52	188.11	183.86	185.16	273.94	226.81	254.87
Finland (15)	74.46	−0.7	58.00	59.71	57.62	63.59	−0.4	2.22	75.00	58.25	59.38	58.04	63.82	89.80	73.64	96.54
France (104)	153.22	−1.7	119.34	122.85	118.56	120.83	−1.8	3.88	155.88	121.06	123.41	120.62	122.99	168.75	148.06	131.32
Germany (65)	121.07	−1.1	94.30	97.09	93.69	93.69	−1.1	2.46	122.45	95.10	96.96	94.76	94.76	129.69	114.67	108.23
Hong Kong (54)	250.57	+0.0	195.16	200.91	193.92	248.90	+0.0	3.29	250.67	194.67	198.46	193.99	248.90	259.55	176.36	168.75
Ireland (16)	158.57	+0.2	123.51	127.15	122.71	125.00	+0.3	4.22	158.21	122.87	125.26	122.43	124.57	173.71	151.78	154.53
Italy (78)	62.71	−0.1	48.85	50.28	48.53	52.86	−0.4	3.95	62.80	48.77	49.72	48.60	53.04	80.86	62.71	75.51
Japan (473)	93.29	−3.2	72.66	74.80	72.20	74.80	−2.0	1.14	96.36	74.84	76.29	74.58	76.29	140.95	88.70	129.33
Malaysia (69)	246.88	+0.1	192.29	197.95	191.05	237.57	+0.0	2.64	246.68	191.58	195.30	190.89	237.47	250.47	212.49	228.07
Mexico (18)	1467.05	+0.6	1142.65	1176.34	1135.30	4994.85	+0.6	1.20	1458.01	1132.34	1154.34	1128.31	4966.85	1789.77	1355.22	1132.92
Netherland (25)	160.56	−1.0	125.05	128.74	124.25	123.00	−1.0	4.56	162.13	125.92	128.36	125.47	124.25	167.29	147.88	139.25
New Zealand (14)	47.08	+0.4	36.67	37.76	36.44	45.60	+0.3	4.98	46.90	36.42	37.13	36.29	45.46	48.52	42.01	46.92
Norway (23)	164.29	−1.5	127.96	131.73	127.14	130.50	−1.5	1.93	166.71	129.47	131.99	129.01	132.43	192.95	161.26	196.85
Singapore (38)	209.36	−0.1	163.07	167.87	162.01	155.67	−0.1	2.13	209.64	162.81	165.98	162.23	155.88	229.63	192.76	198.26
South Africa (61)	199.75	−1.6	155.58	160.16	154.57	169.71	−1.3	3.04	203.08	157.72	160.78	157.15	171.88	263.60	197.04	245.04
Spain (48)	137.46	−2.0	107.07	110.23	106.38	99.40	−2.1	5.91	140.27	108.94	111.06	108.55	101.48	161.72	137.46	148.23
Sweden (29)	184.46	−1.7	143.67	147.91	142.75	147.66	−1.6	2.76	187.58	145.68	148.52	145.17	150.10	200.28	173.09	193.93
Switzerland (62)	108.99	−1.5	84.89	87.40	84.35	89.29	−1.7	2.40	110.65	85.94	87.61	85.64	90.79	113.88	95.99	93.47
United Kingdom (228)	180.73	−1.5	140.77	144.90	139.85	140.77	−1.2	5.28	183.39	142.43	145.18	141.91	142.43	200.07	165.85	174.37
USA (522)	167.37	−0.7	130.36	134.21	129.53	167.37	−0.7	2.99	168.52	130.88	133.43	130.42	168.52	171.66	160.92	153.23
Europe (790)	145.95	−1.3	113.67	117.03	112.95	113.73	−1.3	4.25	147.90	114.87	117.10	114.46	115.18	156.88	139.31	137.83
Nordic (102)	172.69	−1.1	134.50	138.47	133.64	131.83	−1.0	2.38	174.55	135.56	138.19	135.08	133.21	188.52	169.66	188.07
Pacific Basin (717)	100.33	−2.7	78.15	80.45	77.64	81.52	−1.7	1.51	103.11	80.08	81.64	79.80	82.89	141.97	94.40	130.91
Euro - Pacific (1507)	118.78	−2.0	92.51	95.23	91.91	94.84	−1.5	2.87	121.23	94.15	95.97	93.81	96.24	145.21	113.80	133.99
North America (637)	164.86	−0.7	128.41	132.21	127.60	163.45	−0.7	3.00	165.95	128.89	131.40	128.45	164.55	169.69	158.70	152.29
Europe Ex. UK (562)	124.82	−1.2	97.22	100.11	96.61	98.11	−1.3	3.51	126.37	98.15	100.07	97.82	99.42	132.98	121.81	116.07
Pacific Ex. Japan (244)	169.79	+0.1	132.25	136.17	131.41	151.26	+0.0	3.55	169.68	131.78	134.36	131.33	151.30	175.31	149.00	146.58
World Ex. US (1701)	120.80	−1.9	94.09	96.87	93.49	97.31	−1.4	2.67	123.17	95.66	97.52	95.32	98.69	146.91	116.45	135.93
World Ex. UK (1995)	131.31	−1.4	102.28	105.30	101.63	116.50	−1.1	2.62	133.19	103.44	105.46	103.08	117.79	150.58	127.21	137.54
World Ex. So. Af. (2162)	135.20	−1.4	105.30	108.42	104.63	118.27	−1.1	2.92	137.13	106.50	108.58	106.13	119.59	153.05	130.04	140.08
World Ex. Japan (1750)	159.09	−0.9	123.91	127.58	123.14	144.08	−0.8	3.46	160.48	124.63	127.06	124.21	145.30	165.40	153.20	148.13
The World Index (2223)	135.58	−1.4	105.60	108.72	104.93	118.74	−1.1	2.92	137.52	106.81	108.89	106.43	120.07	153.70	130.68	140.75

Constituent changes (23/7/92): Deletion: International Corona Corp. (Canada). Name change: Toyo Sash to Tostem Corp. (Japan).
Latest prices were unavailable for this edition. Hong Kong closed July 22.